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Daily Report

East Asia

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Daily Report

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APEC Called 'Reality Check' on Japan, U.S., PRC
BK1706051596 Manila MANILA BULLETIN
in English 17 Jun 96

[Unattributed report — received via Internet]

[FBIS Transcribed Text] The establishment of the Asia-Pacific Economic Cooperation (APEC) is expected to provide a balance in the region that is dominated by three economic and political superpowers — US, China and Japan.

Calling it a "reality check," Tommy Koh, director of the Institute of Policy Studies of Singapore and head of secretariat of the defunct Pacific Business Forum, told reporters during a press conference for the inaugural meeting Saturday of the APEC Business Advisory Council (ABAC).

As a "reality check," Koh said APEC will "restrain the US from the propensity of taking unilateral action, put benign pressure on Japan to open up and help integrate China into the world community." Koh explained that as member of APEC club, each economy is compelled to follow its rules and regulations. Already, he said, APEC is developing a softer modality of dispute settlement mechanism that does not duplicate the scheme of the World Trade Organization (WTO) but rather compliment it. The APEC dispute settlement mechanism is also based on consensus as proposed by the Eminent Persons Group.

At present, APEC economies constitute 69 percent of the total world trade even without the benefit of treaties. Already, the 18- APEC economies have agreed to attain a free trade area by the year 2020 although developed member economies have to attain the vision ten years earlier or by the year 2010.

To push for this move, ABAC Philippines representation has proposed that the Council discuss four issues this year. These include fast-tracking trade liberalization, trade facilitation, highlight intra-APEC business cooperation and build APEC community.

At least 44 business leaders of the 54 ABAC representatives, three from each economy, are participating in the first meeting of the ABAC. Former Foreign Affairs Secretary Roberto Romulo, chair of ABAC Philippines, said the ABAC is not adding any monstrous bureaucracy to the APEC.

Koh further said there is no conflict between government and business leaders in their almost parallel work. Although the ABAC representatives are appointed by their respective government leaders, Koh said they will represent the business interest of the region's economy. If ABAC is a tool of the government leaders, Koh said,

then there is no sense having organized the business grouping.

APEC Council Forms Committees for Nov Summit
BK1706044796 Quezon City Radio Filipinas
in English 0230 GMT 17 Jun 96

[FBIS Transcribed Text] Some of the brightest business minds in the region ended two days of talks in Manila on Sunday [16 June] determined to turn visions of a huge Asia-Pacific trade grouping into a concrete and prosperous reality. Firmly rejecting any suggestion that they have given up their weekend out of a spirit of altruism, 44 top executives gathered in Manila for the inaugural meeting of the APEC Business Advisory Council. (Timasee Ong), management director of the National Insurance Company in Brunei told the Manila conference, and we quote, altruism is a poor basis for building up any kind of regional organization. Ultimately, what will drive APEC is selfish, national self-interest, end of quote.

The council was set up to offer guidance to national leaders of the 18 member Asia-Pacific Economic Cooperation or APEC forum. Apec countries which account for some 45 percent of global gross domestic product and 50 percent of world trade, are committed to liberalizing trade and investment in the region by 2010 for developed economies and 2020 for the less advanced.

Appropriately, for the men and women who made up this, the world's fastest growing region, the A-B-A-C or the APEC Business Advisory Council executives wasted no time in getting down to business. They set up five committees to come up with recommendations to be presented to the APEC national leaders at their summit in Manila in November — one committee chaired by Hong Kong entrepreneur, Gordon Wu, chief executive of Hopewell Holdings, will concentrate on ways to meet Asia's massive infrastructure needs. Another committee will focus on the financial sector, others will focus on cross-border mobility of people and information, (?foster) a small and medium scale enterprises and developing an APEC community spirit.

Agenda for Dec WTO Meeting, Singaporean Proposal Noted

BK1706044096 Bangkok BANGKOK POST
in English 17 Jun 96 p 22

[Report by Somphon Thapphanachai and Peter Maitri Ungphakorn]

[FBIS Transcribed Text] Singapore, host of the first World Trade Organisation ministerial meeting in December, wants the 18 Asia-Pacific Economic Coopera-

tion [APEC] countries to push for realistic deadlines for global trade liberalisation.

The Singaporean proposal is likely to be discussed in Christchurch, New Zealand, next month when trade ministers from APEC members discuss a possible joint position for the WTO meeting in December. It envisages new WTO target dates being linked to those already announced for APEC, ASEAN and other regional groups.

The idea of the WTO setting deadlines for global trade liberalisation was discussed by experts at a conference in Singapore in April. Supporters of the idea argued that regional groups such as APEC itself, are more successful in opening up their markets than the WTO as a whole because they have specific goals with specific deadlines.

The argument is developed in an unofficial document that Singapore submitted to a meeting of APEC officials in Manila last month. It proposes that next month's APEC meeting in New Zealand end with "a collective call by APEC to other WTO members to consider setting a long-term goal which the WTO can work toward".

The Singaporean proposal criticises the WTO for focusing too much on "process" — such [as] how negotiations should be handled and how trade barriers could be lowered — and not enough on targets.

Setting "a clear goal for the multilateral trading system" would "serve as a symbolic and important shift" of emphasis for the WTO, the document says. It also warns against the December WTO meeting issuing an "impractical visionary statement".

The proposal adds that the WTO's target dates could be designed to help bring together various liberalization moves around the world.

APEC's own targets are for the developed country members to open their markets by 2010, and for the developing country members to do so by 2020. But considerable differences of opinion remain in APEC about the extent of liberalization at the end of the road. Some of APEC's leaders have said that they do not envisage totally free trade even by the target dates.

APEC's members are the United States, Canada, Mexico, Chile, China, Taiwan, Hong Kong, South Korea,

Japan, Australia, New Zealand, Papua New Guinea, and six of the seven ASEAN members (excluding Vietnam). All except China and Papua New Guinea are among the more than 100 members of the WTO.

The agenda for the WTO meeting in December could contain up to five headings:

- a review of how the agreements of the 1986-94 Uruguay Round of trade talks are being implemented;

- assessment of the uncompleted negotiations left over from the Uruguay Round, including talks on telecommunications, shipping and financial services that are currently deadlocked;

- reports and recommendations from the WTO committee looking at issues linking trade and environmental protection;

- new negotiations in a range of subjects committed under the Uruguay Round agreements; and

- new issues currently not handled by the WTO such as labour rights, corruption and guarantees for foreign investment.

The Singaporean document covers all of these. One of its proposals for WTO members to announce they will complete their Uruguay Round commitments one or more years ahead of schedule, has already received a negative response from some other APEC members, including Thailand, according to Thai officials.

It is still uncertain whether APEC can agree on a common position for the WTO other than an expression of broad commitment to the WTO system.

Singapore is proposing that the group's ministers declare next month that they are committed to completing their Uruguay Round commitments on schedule, and that APEC members' officials work out a package of practical measures to help less developed members implement their commitments.

More controversially, it also proposes APEC members submit a new package of market-opening measures such as tariff cuts that would become "bound" commitments under WTO rules.

Asian Foreign Ministers Arrive for Mekong Basin Meeting

BK1706083796 Kuala Lumpur BERITA HARIAN in Malay 17 Jun 96 p 6

[Unattributed report]

[FBIS Translated Text] Kuala Lumpur, Sunday [16 June] — Foreign Ministers and economic ministers of Asian countries arrived here today to attend the ASEAN-Mekong Basin Development Cooperation meeting which is to open tomorrow.

Deputy Prime Minister Datuk Sri Anwar Ibrahim will open the two-day meeting at a hotel here. Foreign Minister Datuk Abdullah Ahmad Badawi and International Trade and Industry Minister Datuk Sri Rafidah Aziz will jointly chair the meeting.

Seven ASEAN member countries, and Cambodia, Laos, Burma, and China will attend the meeting, which follows the senior government officials meeting which ended here last night.

The first to arrive at Sultan Abdul Aziz International Airport in Subang near here was Cambodian Foreign Minister Ing Huot and Keat Chhon, Cambodian minister of state in charge of rehabilitation and development.

Philippine Foreign Secretary Domingo L. Siazon was next to arrive.

Indonesian Foreign Minister Ali Alatas and a Vietnamese delegation arrived last Friday, while Burmese Foreign Minister Ohn Gyaw arrived here last night.

Brunei's minister for industry and primary resources, Datuk Setia Abdul Rahman Mohamed Taib, arrived in the evening. This was followed by Amnui Wirawan, Thai deputy prime minister and concurrently foreign minister; Lao Foreign Minister Somsavat Lengsavat; Singapore Foreign Minister Prof. S. Jayakumar; Singapore Communications Minister Mah Bow Tan; and a Chinese delegation.

ASEAN Secretary General Datuk Ajit Singh arrived here last night.

Malaysia's Anwar Opens Mekong Basin Development Meeting

BK1806121896 Kuala Lumpur WATAN in Malay 18 Jun 96 p 4

[Report by Amri Zainuddin]

[FBIS Translated Text] Kuala Lumpur, Monday [17 Jun] — Given the bright potential prospects, the country's private sector is being encouraged to seek new bases for investment in the Mekong basin, which could

provide Malaysia with the advantage in widening its markets.

Deputy Prime Minister Datuk Sri Anwar Ibrahim said that Malaysian companies, particularly the companies that are currently involved in overseas development projects, should look toward the Mekong basin as a beneficial investment center.

Speaking to reporters after officially opening the ministerial-level ASEAN-Mekong Basin Cooperation Meeting here today, the deputy prime minister said: "The government is constantly undertaking efforts to establish investment opportunities with foreign parties, but the important tasks and responsibility lie with the private sector to take an early step before we do."

The meeting is being attended by ASEAN foreign and economic ministers, as well as ministers from Cambodia, Laos, Burma, and China.

In connection with this, the deputy prime minister also suggested that the ASEAN member countries allocate their respective action funds to jointly develop the Mekong basin.

He added: "Without any realistic attitude and strong cooperation among us, this project will not be jointly realized, because joint financial and natural resources are very important for the successful implementation of the project."

Anwar, who is also finance minister, believed that, with the availability of the action funds, ASEAN would be able to demonstrate its confidence and economic potential in this small region and also its responsibility toward its people.

Considering that the Mekong basin project would not be successful if it is undertaken by only one country, the deputy prime minister said the region would attract its neighbors to participate in the current wave of development in the region.

Burma Assures ASEAN of Peaceful Solution to Problems

BK1806062296 Bangkok BANGKOK POST in English 18 Jun 96 p 6

[Report from Kuala Lumpur by Amonrat Mahitthiruk]

[FBIS Transcribed Text] Burmese Foreign Minister Ohn Gyaw yesterday assured Amnui Wirawan and other ASEAN ministers that Rangoon would peacefully resolve mounting political tensions in his country.

The two ministers yesterday met during the ASEAN-Mekong Basin Development Cooperation conference

— their first meeting since Dr. Amnuai was appointed foreign minister late last month.

Mr. Ohn Gyaw is due to meet Indonesian Foreign Minister Ali Alatas today.

Only two days earlier in Phatthaya, Dr. Amnuai met two US presidential envoys who were seeking to organise a coordinated response to developments in Burma between Washington and Asian countries.

The ruling Burmese government, known as the State Law and Order Restoration Council (SLORC), arrested more than 260 members of the opposition National League for Democracy led by Aung San Suu Kyi before the party held a congress last month.

Dr. Amnuai quoted the Burmese minister as telling him that Rangoon was obliged to arrest the opposition members to prevent possible violence spiraling out of control.

The violence would destabilise the country and ASEAN, which Burma is preparing to join, Dr. Amnuai quoted Mr. Ohn Gyaw as saying.

The Burmese minister added Mrs. Suu Kyi could hold weekly gatherings, despite a new law banning assembly, provided they did not cause trouble, Dr. Amnuai said.

Burma's participation in yesterday's meeting underlined its desire to join ASEAN. Burma will attend the annual meeting of ASEAN foreign ministers next month in Jakarta as an observer for the first time.

"ASEAN countries have expressed their concern (about the tensions) since we are in the same region as Myanmar (Burma). We have a dialogue with the Myanmar government and we have received assurances (that Rangoon will resolve its internal problems peacefully)," Dr. Amnuai said.

"Other countries outside the region may not have had the same assurances."

Dr. Amnuai will head an official delegations to Burma between August 5-7 at the invitation of Lieutenant General Kyin Nyunt, chief of the SLORC's intelligence unit.

He will attend a meeting of the Thai-Burmese Joint Commission on August 5 to evaluate bilateral ties.

Jakarta Plans To Invite Burma, Laos, Cambodia for Dec Summit

BK1706032296 Bangkok dANGKOK POST in English 17 Jun 96 p 6

[Report by Saritdet Marukhathat]

[FBIS Transcribed Text] Kuala Lumpur — Indonesia plans to invite leaders of Burma, Cambodia and Laos to join the first informal summit of ASEAN which it will host in Jakarta in December.

The plan is designed to support the Seven Plus Three Formula that encompasses all ten countries in Southeast Asia being members of ASEAN by the year 2000.

Indonesia is reportedly awaiting an appropriate moment to raise the idea for support from the other members of the Association of Southeast Asian Nations Brunei, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

Jakarta did not float the idea at the two-day meeting of senior ASEAN officials and their counterparts from the Mekong riparian states of Burma Cambodia, Laos and China which ended here Saturday, Thai officials said.

Indonesia is expected to raise the idea when ASEAN foreign ministers hold their annual meeting in Jakarta next month.

The plan is in line with the vision outlined by national leaders who met for the 5th ASEAN summit in Bangkok in December last year, which calls for stronger links between ASEAN and the future members — Laos, Cambodia and Burma.

The source said the foreign ministers meeting next month would be a good opportunity for them to exchange views on plans to develop the Mekong region.

Ministers of ASEAN and future member states, as well as China, are scheduled to hold talks today and tomorrow on the regional initiative on development programmes for Indochina and Burma.

The result of the meeting will be passed on to the grouping's heads of governments in the summit in December.

The seven-nation grouping will expand to nine members next year with the admission of Cambodia and Laos, but is expected to encompass all 10 nations of Southeast Asia if Burma joins by the year 2000.

Rangoon will attend the annual ASEAN foreign ministers meeting next month as an observer for the first time.

ASEAN leaders, at the Bangkok summit in December, agreed to hold an informal meeting in between the formal summit to exchange views and accelerate working relationships .

The leaders of the three future member states met their ASEAN counterparts for the first time during the Bangkok gathering in a parallel meeting of the summit as guests of Thailand.

Japan

Japan: MITI Rejects U.S. Compromise Plan in Microchip Dispute

OW1906090996 Tokyo *NIHON KEIZAI SHIMBUN* in Japanese 19 Jun 96 Morning Edition p 5

[FBIS Translated Text] On 18 June, the U.S. Government issued a statement through the American Embassy in Tokyo on its semiconductor consultations with the Ministry of International Trade and Industry (MITI) and indicated its plan to reduce government intervention when the current agreement expires at the end of July. The statement issued was to the effect that "it envisions a transition agreement [iko kyotei] based on the agreement at the private-sector level, in which the government's role will be cut down by a large margin." At the working-level talks held on 17 and 18 June, the U.S. Government gave a detailed briefing of its original compromise plan, maintaining that "no numerical target will be set for a share of the Japanese market for foreign microchips." However, MITI rejected the proposal, maintaining that "several points in the existing accord would be revised in a retrogressive way." As a result, the two sides have failed to reach an accord at the consultations, and the vice-ministerial talks scheduled to start on 20 June are bound to meet with difficulties.

According to a concerned source, the U.S. Government proposed a compromise, that "the numerical target of 20 percent will be abolished." However, the U.S. Government demanded that "monitoring of the share should be continued and development under the existing accord should be maintained." According to MITI, "since it has already demanded that the share be not only maintained but also increased and the lowest limit has been set at over the 30-percent level, it can be said that the hurdle has been further raised from the current level of 20 percent." In rejecting the proposal, MITI maintains that monitoring of the share itself, which will be based on the nationality of semiconductor makers, is "a method of control of trade in violation of World Trade Organization (WTO) regulations."

Moreover, to prevent dumping, the U.S. Government has proposed that the number of microchip products, which now stands at six and for which Japanese companies are requested to maintain their price data, be reduced. In opposition, MITI maintains that "since no Japanese products have ever violated the dumping regulations, it is rather unusual that only Japanese companies should be asked to maintain such data." In rejecting the proposal, MITI stated that "prevention of dumping should be dealt with by applying WTO regulations" and that "it would be unnecessary to have a Japan-U.S. accord."

Tokyo Expected To Argue U.S. Photo Film Market 'Closed'

OW1906070696 Tokyo *KYODO* in English 0649 GMT 19 Jun 96

[FBIS Transcribed Text] Tokyo, June 19 *KYODO* — Japan will challenge the United States over a photo film trade dispute, arguing the U.S. market is closed to foreign makers, government sources said Wednesday [19 June].

The sources said the challenge will likely be made in bilateral negotiations based on a decision made by the defunct General Agreement on Tariffs and Trade (GATT) in 1960.

The U.S. brought the film dispute with Japan on Thursday to the Geneva-based World Trade Organization (WTO), which replaced GATT in January 1995.

In addition to the complaint filed with the WTO, the U.S. called for negotiations on the dispute under a decision at an executive meeting of GATT in 1960 providing for discussions on restrictive trade practices, the sources said.

They said Japan is studying the possibility of bringing the case to the area established by GATT to counter the U.S. argument.

The sources said the U.S. photo film and paper market is exclusively dominated by Eastman Kodak Co. with its market share surpassing 70 percent.

Washington's complaint filed with the WTO claimed that Fuji Photo Film Co. dominates the Japanese photo film market with a 70 percent market share and has set up barriers to keep Kodak from penetrating the Japanese market.

The sources said Japan will urge the U.S. to eliminate exclusive trade practices engaged by Kodak.

Meanwhile, the U.S. also sought bilateral discussions on a rebate system for photo film trade in Japan and a Japanese law restricting operations of large-scale retail stores.

The sources said Japan will tell the U.S. by the June 24 deadline that it will respond to the request for negotiations.

Japan: Commission Expected To Seek Kodak's Help in Market Probe

OW1906114996 Tokyo *KYODO* in English 1136 GMT 19 Jun 96

[FBIS Transcribed Text] Tokyo, June 19 *KYODO* — The head of Japan's fair trade watchdog said

Wednesday [19 June] he will ask Eastman Kodak Co. of the United States for help in its investigation of the Japanese photo film market, under way since April.

Masami Kogayu, chairman of the Fair Trade Commission (FTC), made the remark at a press conference in referring to a request to Eastman Kodak by the office of the U.S. Trade Representative (USTR) to submit a petition to the FTC to investigate its claim that Japan has set up barriers to the sale of its products.

The USTR made the request to Eastman Kodak when it brought the case to the Geneva-based World Trade Organization last week for bilateral negotiations.

Kogayu would not confirm or deny whether the U.S. maker has filed a petition.

He said it is possible for both Japanese and U.S. fair trade regulators to discuss the matter.

Japan: Industry Leaders To Meet After Chip Pact Expires

OW1906080196 Tokyo KYODO in English
0620 GMT 19 Jun 96

[FBIS Transcribed Text] Tokyo, June 19 KYODO — Japanese and U.S. semiconductor industry leaders are likely to meet as early as next week to discuss a bilateral agreement for private-sector partnership, industry sources said Wednesday [19 June].

Attending the meeting will be Norio Ohga, chairman of the Electronic Industries Association of Japan and chairman of Sony Corp., and Pat Weber, chairman of the U.S. Semiconductor Industry Association and chairman of Texas Instruments Inc.

The two industry groups have agreed there will be a three-year transitional partnership framework after the July 31 expiry of the 1991 government-level agreement.

The upcoming talks are expected to focus on whether the government should be involved in the semiconductor sector to see that the foreign share in the Japanese market reaches a certain target, the sources said.

Japan: Public Project Bidding Deregulated for Foreign Companies

OW1806143696 Tokyo NIHON KEIZAI SHIMBUN
in Japanese 18 Jun 96 Morning Edition p 7

[FBIS Translated Text] On 17 June, the government worked out guidelines for the application of "the action program to improve bidding and contract procedures for public works projects," which the cabinet meeting in January, 1994 adopted with the objective of opening up public works projects to foreign companies. Incorporated

in the application guidelines are deregulation of qualifications to participate in general competitive bidding; an increase in the number of public-offering projects in the fields of design and consulting; and advance announcement of plans for placing orders. The government will inform the United States of the guidelines at the Japan-U.S. construction talks scheduled to start on 19 June, and put the program into effect as early as the beginning of FY96. According to the program, the general competitive bidding system will be introduced for state-sponsored projects costing over 4.5 million SDR (Special Drawing Rights, equivalent to 650 million yen) for each project.

Japan: Construction Talks With U.S. 'Divided' on Airport Project

OW1906150196 Tokyo KYODO in English
1431 GMT 19 Jun 96

[FBIS Transcribed Text] Tokyo, June 19 KYODO — Japan and the United States were divided Wednesday [19 June] over foreign participation in a new airport project in central Japan in bilateral negotiations over the opening of Japan's construction market, officials said.

The two-day talks which opened at the Foreign Ministry are aimed at reviewing progress of an agreement reached between the two countries in 1994 to open major public works projects to foreign bidders.

Wednesday's negotiations focused on a new international airport planned for construction near the central Japanese industrial center of Nagoya.

The government has set aside an appropriation for feasibility studies on the project under a five-year airport consolidation program for the 1996-200 period.

The U.S. argued that the project should be opened to foreign companies under the 1994 agreement, the officials said.

Japan, however, says the project still is under consideration and therefore is not covered by the agreement, they said.

Japan, however, offered to provide information on bidding in advance, they said.

Japan promised to investigate a U.S. complaint that foreign companies are barred from tenders held by local governments for urban redevelopment projects, the officials said.

The U.S. panel is led by Marjory Searing, deputy assistant secretary of commerce. The Japanese delegation consisted of section chiefs of ministries concerned.

Japan: Ota Concerned About U.S. Response on Base Issue*OW1806161696 Tokyo KYODO in English
1544 GMT 18 Jun 96*

[FBIS Transcribed Text] Washington, June 18 KYODO — Okinawa Gov. Masahide Ota expressed concerns Tuesday [18 June] over a U.S. reply regarding concrete measures for the return of the Futenma airfield in Japan's southernmost island prefecture.

"We found no clear direction ahead," Ota told a press conference at the National Press Club in Washington, referring to his meeting Monday with Defense Secretary William Perry and other Pentagon officials.

Ota, who arrived here Friday on a visit that will continue until Wednesday, said he explained the difficulty of the situation, including residents' opposition to a reported proposal to relocate a U.S. Marines heliport from the Futenma airfield to the Kadena Air Base, also within Okinawa, as part of a plan to return all land occupied by Futenma base.

But the U.S. side replied only that "there has been no decision yet," adding that a joint U.S.-Japan action committee will hammer out specific measures by November, he said.

Ota also said Deputy Assistant Secretary of Defense Kurt Campbell urged him to "separate" the issue of U.S. bases from an Okinawa-proposed economic program for developing sites currently occupied by U.S. bases after they are returned to the prefecture's control.

Noting that Okinawa's economic problems should be addressed with the Japanese Government, Campbell told Ota not to bring such problems to the U.S. side, the governor said.

During his stay, Ota said, he also met with U.S. legislators, scholars and business leaders to seek investment and cooperation in regard to Okinawa's development scheme, aimed chiefly at setting up facilities such as international research and educational centers.

Tokyo and Washington agreed in April to return some 20 percent of the land now being used by U.S. military forces in Okinawa, including the Futenma base, within five to seven years.

About 75 percent of all land used by the U.S. military in Japan is concentrated in Okinawa, though the island prefecture accounts for only 0.6 percent of Japan's total land area.

The joint action committee was established last November to seek concrete measures within a year to reduce and consolidate U.S. bases in Okinawa. The move fol-

lowed the rape last September of a local schoolgirl by three U.S. servicemen and the ensuing public outcry.

Japan: Governor Ota Partially Satisfied With Outcome of U.S. Visit*OW1906093496 Naha RYUKYU SHIMPO
in Japanese 19 Jun 96 Morning Edition p 1**[By Eiki Ashihara]*

[FBIS Translated Text] Washington, 18 Jun — Governor Masahide Ota, who had completed a large portion of his activities during his visit to the United States, held a news conference at the Washington Press Club beginning at 0930 on 18 June (2200 the same day in Japan). In answering a reporter's question, Ota graded his current U.S. visit as "B" based on the A-B-C grading system. Moreover, when asked what report he would make to Prime Minister Ryutaro Hashimoto on his current U.S. visit, Ota stated: "We would like to request for establishing international organs in Okinawa."

Present at the news conference were reporters from about 20 newspapers and television stations, mainly Japanese.

As to the reason why he graded the visit "B," Governor Ota explained as follows: "For the first time in my five visits to the United States, I was given a chance to directly talk with the Secretary of Defense this time, and I was received with much courtesy. However, since the future prospects remain unknown, I cannot grade my visit 'A.'"

When asked how he would handle the issue on the relocation of Marine Corps Air Station Futenma, Ota stated: "I was told that no decision has been made yet. Nor has the Japanese government notified us any concrete details. I have nothing to inform you."

When a reporter from the AP News Agency asked what the U.S. military said about the security treaty and about the Action Program, which demands the complete return of all military bases by 2015, Governor Ota said: "The security treaty is not an issue in which the prefectural government can intervene. However, as a result of implementing the security treaty, Okinawa has suffered damages. That is the reason why we have asked the Japanese government for the return of military bases."

Moreover, in answering a question as to whether the United States has now come to truly understand Okinawa, Ota said: "I cannot judge how much they understand us now. However, regardless of how much they understand, the actual situation in Okinawa such as the employment problem has now got so serious that we cannot leave the situation as it is. Therefore, we will continue to make our appeals from Okinawa."

Present at the news conference were: Tatsuo Matayoshi, policy coordinator; Masaharu Miyagi, chief of the Office for the Promotion of the Formation of an International Urban Community, and Choei Yogi, director of the Industrial Policy Department. A briefing was given on such concepts as the "International Urban Community."

Following the news conference, the prefectural delegation visiting the United States will exchange views with Representative Underwood, pay a courtesy call at the Japanese Embassy, and then conclude its visiting activities in the United States.

Japan: Editorial Comments on Ota-Perry Meeting in U.S.

OW1906094196 Naha OKINAWA TIMES in Japanese
19 Jun 96 Morning Edition p 5

[Editorial: "On the Ota-Perry Meeting"]

[FBIS Translated Text] The topics discussed at Governor Ota's meeting with Defense Secretary Perry were as expected.

Governor Ota said that the return of Marine Corps Air Station Futenma, and almost all other facilities listed by the Japan-U.S. Special Action Committee on Okinawa (SACO) comes with the condition of relocation within Okinawa Prefecture, and this may mean a new burden of military bases. He asked for reconsideration. In response, Secretary Perry stated that, "the relocation sites has not been decided," and "the stationing of U.S. forces is indispensable for stability in the Asian region."

It is not likely that the Department of Defense [DoD] will change its basic view that the Okinawa issue is a diplomatic question between Japan and the United States. Even so, it is obvious that the DoD is responding to the governor's "direct appeal," which bypassed the Japanese government, because it wants to alleviate the strong sentiments of Okinawa and the Okinawan people on the bases issue, and lay the groundwork for a solution.

In other words, it is keenly aware of the Okinawan people's tough stand. On our part, we must also convey the message that there is a reason behind the "governor's diplomacy." If it is the U.S. people and the world's understanding that the bases issue in Okinawa has been resolved, we must argue that "this is not true."

Since last year, Okinawa has caught world attention. Rather than being famous as a land where 1.2 million people live, which is blessed by a beautiful nature and rich culture, Okinawa is known as the stronghold of the Japan-U.S. military alliance in Asia and the Pacific, and the land for dealing with global conflicts.

Once the U.S. forces set out to deal with an "emergency," as a matter of course, they will also become a target of attack. Under such circumstances, what about the security of the local residents? Dependents of U.S. soldiers and noncombatants can well repatriate to their home country. But how about the local people residing near the bases? Will this mean a repeat of the Battle of Okinawa?

The present visit of Governor Ota to the United States is also aimed at obtaining the cooperation of various sectors in the United States on the use of returned military land. The peaceful use of returned bases also involves guaranteeing the security of the Okinawan people. The invitation for UN organs and other international organizations to come to Okinawa is being made in this connection.

It is not futile to state the Okinawan people's position repeatedly in response to strategic briefings given by Secretary Perry and other U.S. officials. It is the right of the Okinawan people, who have experienced the past war, to discuss the security of concrete individuals at the same level as national and regional security. We must let them know that this is also a duty we need to perform so that the future generations will not have to experience the same suffering.

Japan: Government Needs To Define 'Emergency' To Apply ACSA

OW1806142096 Tokyo TOKYO SHIMBUN
in Japanese 15 Jun 96 Morning Edition p 3

[By Yasushi Mizuno]

[FBIS Translated Text] Although the "Japan-U.S. Acquisition and Cross-Service Agreement (ACSA)," which will be a pillar of Japan-U.S. work to strengthen defense cooperation, won Diet approval on 14 June, the scope of its application is not clear. This is because there is no clear definition of "Japan's emergency." If the concept of "emergency" remains undefined while work to review the "Guideline for Japan-U.S. Defense Cooperation" starts getting serious, the government will fail to win the people's understanding of ACSA.

ACSA, concluded in April, endorses Japan's rear-echelon support of U.S. forces. However, as predicted when the agreement was concluded, Diet discussions on ACSA focused on the extent to which it will be applied in case of "emergency."

The provisions of ACSA do not distinguish between "peacetime and emergency." Internal documents of the Defense Agency [DA], however, say mutual support is contained in the concept of a "mutual support plan (MSP) covering Japan's action in peacetime, in a

situation leading up to war, and in a state of war." The documents then say ACSA will be applied to "peacetime"; and in case of emergency, "emergency mutual support [as published] (CMS)" and "wartime host nations support (WHNS)" will be applied. In short, the DA plans to apply other agreements to its support in time of "emergency."

With this in mind, the government has confirmed the following: 1) the possibility of applying ACSA to an emergency has not been eliminated; but 2) the application of ACSA is limited to Japan-U.S. joint exercises, UN peacekeeping operations (PKO), and humanitarian international relief activities; 3) therefore, it is difficult to assume that ACSA will apply to emergency situations.

Nevertheless, at the Diet interpellations on ACSA, the DA side said, "We are not assuming that ACSA will be applied to emergencies." But the discussions got confusing when Foreign Ministry officials emphasized the possibility of applying ACSA in time of emergency, saying, "It is possible to supply goods to troops that are not directly engaging in battle." Eventually, Prime Minister Ryutaro Hashimoto drew a line of demarcation against rear-echelon support in time of emergency by saying, "It is impossible for Japan to cooperate in the U.S. forces' battle operations," thus putting an end to the discussions.

However, the extent of ACSA application is still unclear. This is because a concept of "emergency" has not yet been established. At the Diet sessions, the government did not define "emergency," or it must have purposely refused to do so. Judging from such an attitude, I get glimpses of the government's intention to seek a possibility of applying ACSA, which is limited to "peacetime," to "emergency cases" by making vague distinctions between "peacetime" and "emergency." In a sense, the government may want to avoid triggering discussions regarding "the right of collective defense."

It is relatively understandable if the government makes it clear that by "emergency" it means "emergency in Japan." However, if it is "emergency in the Far East," ways of taking a certain situation as an "emergency" will vary, because there will be various situations that can be seen as an "emergency in the Far East." However, when the Korean peninsula, for example, is in a state of war, it is indeed unrealistic to hold Japan-U.S. joint exercises in which Japan supplies goods.

If the government wants to insist on a "new era for Japan-U.S. security arrangements," it must give the people an understandable explanation.

Japan: Kajiyama on Need To Solve 'Outstanding Issues' Before Election

*OW1906113296 Tokyo KYODO in English
1040 GMT 19 Jun 96*

[FBIS Transcribed Text] Tokyo, June 19 KYODO — The government of Prime Minister Ryutaro Hashimoto must deal with a number of outstanding issues before it can dissolve the House of Representatives for a general election, a government spokesman said Wednesday [19 June].

"We will do our utmost to tackle domestic and diplomatic issues," Chief Cabinet Secretary Seiroku Kajiyama said when asked whether Hashimoto will dissolve the lower house as the 150-day regular Diet session concluded earlier in the day.

But Kajiyama said Hashimoto may dissolve the lower chamber before the four-year term of the lower house legislators expires in July next year. The prime minister can dissolve the powerful lower chamber for a snap general election.

The outstanding issues include collection of loans at seven failed "jusen" housing loan companies and debate on how Tokyo should cooperate with the U.S. military under the Japan-U.S. Security Alliance, Kajiyama said.

Kajiyama is a member of Hashimoto's Liberal Democratic Party, the dominant force in the current tripartite ruling coalition. The other two coalition parties are the Social Democratic Party led by former Prime Minister Tomiichi Murayama and New Party Sakigake headed by former Finance Minister Masayoshi Takemura.

Japan: Article Views Changing Security Ties With U.S.

*OW1906142396 Tokyo EKONOMISUTO in Japanese
11 Jun 96 pp 64-67*

[Article by Yoshinori Kando, MAINICHI SHIMBUN Washington Bureau staff: "The New U.S.-China Cold War — What is Japan's National Interests?"]

[FBIS Translated Text] Fill the Blank in "Emergencies" in the Far East

During the U.S. President Bill Clinton's visit to Japan in April, the Japanese and U.S. Governments announced the Bilateral Joint Declaration on Security, and agreed on the bilateral acquisition and cross-servicing agreement (ACSA), as well as the Special Action Committee on Okinawa (SACO)-proposed interim report on realignment and unification of U.S. bases in Okinawa. In addition, Japan pledged to review the "Guidelines for Bilateral Defense Cooperation" drawn up 18 years ago.

With those declaration and accords, the Japan-U.S. security arrangements have radically changed. How will the new security alliance differ from the old one, and what kind of influence will such change have on relations with the United States and Asia?

In view of a change in the bilateral security arrangements, significance of those declaration and accords can be ranked as follows: Review of the guidelines, the ACSA, the SACO's report, and the joint declaration. We will discuss them in this order.

Three weeks prior to Clinton's visit, the first direct presidential election was held in Taiwan. In response, China carried out military drills, including the launching of missiles, in the Taiwan Strait, and the United States dispatched battle groups led by aircraft carrier U.S.S. Nimitz and U.S.S. Independence, heightening tension in the strait. In the meantime, a defense attache to the Japanese Embassy in Washington contacted an military attache to the Chinese Embassy in Washington, and talked with him over a cup of tea. The Chinese attache said: "If fighters launched from U.S. aircraft carriers attack Chinese warships in the strait, China will consider Japan — where Yokosuka port, U.S. aircraft carriers' home port, is located — to be its enemy."

Military conflicts between the United States and China were very likely to arise in the Taiwan Strait, not on a full scale but on a minor scale. If any collisions had occurred, Japan would have been suddenly treated by China as its enemy. Although such a situation is very likely to arise, no measures have been taken under the present Japan-U.S. security arrangements. Japan, which does not have any laws and regulations on this matter, would be regarded as enemy by certain countries as the result of U.S. sole actions.

The 1978 guidelines for defense cooperation presents Japan's basic idea about the following topics: 1) Preparedness to prevent an invasion of our country; 2) actions to be taken in case of armed attacks against Japan; and 3) the Japan-U.S. cooperation during emergencies in the Far East. However, when the guidelines were prepared under the East-West Cold War, only the "Soviet threat" was serious, and "emergencies in the Far East" were not the urgent issue for both Japan and the United States. Therefore, the guidelines discuss topics number one and two in detail but the discussion on topic number three is virtually left intact.

For example, as for the topic number one, the scheme proposes: "The United States should have nuclear deterrent and forward deployment force. The Japanese Self-Defense Forces (SDF) and U.S. forces need to carry out joint drills and improve the mutual communications system." Regarding topic number two, it says: "Japan

is required to beat off restricted and small-scale attacks with its own forces, and if Japan cannot do so, it should repulse them with U.S. assistance." It then presents duty assignment for SDF and U.S. forces. However, regarding topic number three, it only says, "Consultations should be held whenever the situation changes."

In those days, Japan's concern focused only on "Soviet's invasion of Hokkaido," and it could not well afford to care about the possibility of emergencies on the Korean Peninsula and the Taiwan Strait. It can be said that Japan has scarcely had to deal with this matter. Five years have passed since the end of the East-West Cold War, and the United States has declared that it maintains 100,000 forward deployment troops in East Asia to cope with "apparent and pressing danger posed by North Korea (DPRK)," (as stated by former Assistant Secretary of Defense Joseph Nye). Under such circumstances, Japan has been under growing criticism for not preparing for emergencies on the Korean Peninsula. Thus, the United States has demanded that Japan "deal with emergencies in the Far East" in exchange for the return of U.S. Marine Corps Air Station [MCAS] Futenma.

As the U.S. side has requested that Japan "review the guidelines for bilateral defense cooperation by the end of this year," (while U.S. Ambassador to Japan Walter Mondale asked for review "within a year"), Japan is forced to quickly fill the "blank on emergencies in the Far East."

Japan-U.S. Defense Cooperation From the First Stage

In mid-May, the Japanese and the U.S. Governments agreed to do the following: 1) form the bureau chief-level "Bilateral Defense Cooperation Special Committee" (tentative name); and 2) set up a subcommittee comprised of SDF and U.S. forces uniformed officials to discuss concrete measures. In this regard, the two countries decided to hold a preparatory meeting in Hawaii at the end of May. Participating in this meeting would be the Japanese Foreign Ministry North American Bureau councillor, the Defense Agency councillor, the U.S. assistant under secretary at the Defense and State Departments. In preparation, Prime Minister Ryutaro Hashimoto has instructed councillors at the Foreign Ministry North American Bureau and the Defense Agency to study concrete steps to handle "emergencies in the Far East" within the scope of the Constitution, accelerating the review work. In conducting the study, collective self defense rights will become the problem.

The United States proposed the following three conditions for returning Futenma: (1) the functions of the U.S. Forces in Japan must not be degraded; (2) the Japanese

side should bear costs for the airfield's relocation; and (3) in times of emergency, U.S. forces should be allowed to use civilian airports in Japan. Japan has generally accepted those preconditions... [ellipses as published]

One of those present took it that "the prime minister made a package deal on Futenma and the emergency issue."

News of the "Futenma reversion" had not leaked as of 11 April. But on 12 April, NIHON KEIZAI SHIMBUN reported it in its morning edition.

"I am going to announce it tonight." So saying, the prime minister gave orders to his secretary, and invited Ambassador Mondale to his official residence in the evening. After 6:00 PM the prime minister finalized their agreement. Right after that, the prime minister called in to his office Chief Cabinet Secretary Kajiyama, Foreign Minister Yukihiko Ikeda, and DA [Defense Agency] Director General Hideo Usui, and then told them about his agreement with the United States.

The prime minister then made a phone call to the Finance Ministry's Budget Bureau Director General Takeshi Komura in the presence of the ambassador and the Japanese side's cabinet ministers, and the Prime Minister told Komura over the phone: "I have got Futenma back. Ambassador Mondale is also here with me now so I want you to work out the relocation costs." The prime minister thus argued down the Finance Ministry, which was reluctant about burden-sharing.

One of those present recalls: "I thought I was seeing a Hashimoto one-man show on stage..." [ellipses as published]

"Futenma reversion" and "reinforcing Japan-U.S. cooperation in times of emergency" — The curtain had risen on a turning point of Japan-U.S. security with the prime minister's solo recital.

On the evening of 12 April, when Japan and the United States agreed on the reversion of the Futenma airfield site to Japan, the prime minister's office at his official residence was hot and stuffy due to the number of people assembled there, namely, U.S. Ambassador Mondale, Chief Cabinet Secretary Seiroku Kajiyama, Foreign Minister Yukihiko Ikeda, and their respective secretaries.

Making a Phone Call Before the Ambassador's Eyes

Prime Minister Ryutaro Hashimoto called Okinawa Prefecture's governor in the presence of those people in his office.

The prime minister said to the Governor, "Mr. Ota, you once studied in the United States, so I guess you can

speak English. Would you please say 'Thank you' to the Ambassador?"

Ambassador Mondale was surprised at this sudden action by the prime minister. With his face aglow, the ambassador took the telephone receiver in his hand from the prime minister and listened to the governor's gratitude.

After his telephone conversation, the prime minister told the cabinet ministers and bureaucrats in his office: "Do not leave this room until I finish my media remarks." So saying, the prime minister left the room together with the ambassador, and they walked into the press conference hall.

Two days later, on 14 April, U.S. Secretary of Defense Perry arrived in Japan prior to President Clinton's visit to Japan, and called at the Prime Minister's Official Residence. If it had not been for the "sudden" announcement on 12 April, Futenma's return was to have been announced after the prime minister's meeting with the secretary of defense.

The meeting in the hall began in an unprecedented way. Normally, the photo session at the beginning is just for a chat. Nonetheless, a number of microphones were set up there on that occasion. The prime minister then expressed his gratitude for Futenma's reversion. In response, the secretary of defense said: "The action taken this time is important, but what is even more important now is to revitalize our bilateral relationship. We are placing our hopes on the prime minister's leadership in maintaining the most successful alliance which has been unprecedented in history."

The "hopes" expressed by Secretary of Defense Perry were satisfied at a private meeting held right after that. The prime minister clarified, "We will have to discuss the Guidelines (for Japan-U.S. Defense Cooperation) as well from now on. It is time to study and look into what kind of cooperation Japan and the United States can carry out in times of emergency in the Far East, or in the event of other contingencies in the region."

At a joint news conference after the Japan-U.S. summit meeting on 17 April, a reporter asked: "It was a meeting to make a considerable changeover of Japan's security policy, wasn't it?" The President replied, "We made a slight adjustment to meet the needs of the times."

Businessmen's Report Moves Prime Minister

It was about one and a half months before the summit meeting that both the Japanese and U.S. sides began to move in earnest over "Futenma."

Prime Minister Hashimoto was attending his first summit meeting with President Clinton at Santa Monica on the U.S. West Coast.

Regarding the issue of military bases on Okinawa, the President said to the prime minister: "We cannot weaken our presence in Asia, but I want you to tell me frankly what you are thinking about."

A senior official of the Foreign Ministry, who was there in the summit meeting, said: "At that moment, the prime minister's face turned pale."

After a moment, the prime minister said: "When thinking of the people of Okinawa Prefecture, I cannot but refer to Futenma's return. Of course, I understand well that it would be extremely difficult (to do so) from your position that you cannot approve a decline in the functions of U.S. forces."

It was the only time when the one-hour summit meeting was strained.

On 22 February, the day before the prime minister's departure on his U.S. trip, some government officials gathered in the room of Deputy Chief Cabinet Secretary Teijiro Furukawa in the Prime Minister's Official Residence. Among them were Cabinet External Affairs Councillors Office Chief Hiroshi Hirabayashi, Foreign Ministry North American Affairs Bureau Director General Masaki Orita, and Defense Agency Defense Policy Bureau Director General Masahiro Akiyama. It was the final round of consultations among administrative officials on whether or not to ask the prime minister to bring up "Futenma" at the summit meeting. Their conclusion was that the prime minister "should not touch on anything about Futenma."

In the wake of the schoolgirl rape incident in Okinawa, the Japanese and U.S. Governments started a special action committee (SACO) in November last year to discuss the problem of realigning and reducing the U.S. military bases on Okinawa. But its work was facing difficulties. A senior Foreign Ministry official recalls in those days, "we could not expect Futenma reversion at all. The time was not right for the prime minister to bring it up."

The prime minister's reference to Futenma had precedents, one of which was a "report" from a businessman close to the prime minister.

For Okinawa's economic development, a number of businessmen from Okinawa and the mainland of Japan formed an "Okinawa forum" in 1990. One of its members, Ken Moroi, Chairman of Chichibu Onoda Cement Corp., visited Okinawa right before the prime minister's U.S. visit, and he met with Governor Ota in

Okinawa. The governor then stressed that if Futenma were not returned, the Okinawa prefectural people's feelings would worsen seriously against the bilateral security setup.

After that, on 21 February, Moroi, who also presides over the government's decentralization committee, attended a discussion meeting of the Liberal Democratic Party's (LDP) administrative reform promotion headquarters which was held at the LDP headquarters with the prime minister also attending. After that meeting, Moroi privately met with the prime minister in the LDP president's room. Reporters asked Moroi about the purpose of his meeting with the prime minister. In reply, Moroi camouflaged his purpose, remarking: "About decentralization..." But Moroi had conveyed the governor's concern to the prime minister.

Chief Cabinet Secretary Kajiyama, who proposed the prime minister's visit to the United States, also had made a suggestion to the prime minister before his departure to the United States, saying: "I would like you to tell the President what you think is most important."

Moving To Aim at Lower Expectations

On 27 February, right after the February summit meeting, SACO started a third meeting of its working group at the Department of Defense in Washington. "Futenma" was then an issue to be discussed at the summit level because the Prime Minister had already touched on it. One of the working group members remarks, "We started our discussions in real earnest — from the aspect of under what conditions reversion will be possible, and how far we can reach by the time of the presidential visit to Japan."

However, a number of difficult problems came up in such discussions. The mainstay of the U.S. armed forces in Okinawa is a unit of Marines to be readied for rapid development with an eye to an emergency on the Korean peninsula, and other contingencies. The contingent of Marines on Okinawa put up a struggle against the idea of returning the Futenma airfield which plays an important role for those Marine troops. In the case of relocation within Okinawa Prefecture, other local municipalities possibly on the list were also expected to show a strong negative reaction against it. Furthermore, the Finance Ministry was likely to frown on relocation costs that were estimated at 1 trillion yen.

A senior official of the Foreign Ministry stated: "If we make the locals expect Futenma's return, and if the site is not returned after all, then their disappointment will be much bigger. So, it would be safer to say that there is no possibility of the site being returned." Government bureaucrats therefore emphasized the "difficulty" of

materializing Futenma reversion toward the ruling and opposition parties' politicians and the mass media, and went on trying to lower their expectations.

On 7 March, SACO held a fourth meeting of its working group in Tokyo. After that meeting, Deputy Assistant Secretary of Defense Campbell and Deputy Assistant Secretary of State Hubbard met with former Foreign Minister Taro Nakayama and other members of the ruling coalition's project team on the problem of U.S. military bases on Okinawa at a hotel near the Diet. The U.S. side, including Deputy Assistant Secretary Campbell, asserted that "the success of SACO's work for base realignment and reduction is not the same as the return of Futenma."

After the 21 March SACO working group meeting held in Washington, the Foreign Ministry's Japan-U.S. Security Treaty Division Director Kazuyoshi Umemoto told the media: "Futenma will take time, and it will be extremely difficult to show a course of action by April."

Just after that, the prime minister and Governor Ota met at a Chinese restaurant in Roppongi, Tokyo.

Governor: "If you say the Japan-U.S. relationship is important, I would like you to push ahead with a solution of the Okinawa problem. If an accident affecting someone's life should occur at Futenma, the local public's feelings in Okinawa Prefecture will boil."

Prime Minister: "Very difficult. The matter is affected also by the tensions growing over the Taiwan Strait."

Soon after that, the SACO working group presented a report to the two countries' respective leaders. It incorporated the following two options:

Option A: Futenma is not to be returned, but the frequency of use is to be reduced. Option B: Futenma is to be returned entirely, but its reversion is to be accompanied by such preconditions as maintaining the functions of U.S. forces, transferring Futenma's functions within Okinawa Prefecture, and the Japanese side's taking on the costs of relocation.

The Prime Minister's choice was Option B.

The impact brought about by that choice jolted the whole nation. Its heavy payment for that will have to be made in the future.

Tokyo To Take 'Stronger Action' if Junta Arrests Suu Kyi

OW1906031396 Tokyo KYODO in English
0255 GMT 19 Jun 96

[FBIS Transcribed Text] Tokyo, June 19 KYODO — Japan will take a "stronger action" if Myanmar's [Burmese] ruling military junta arrests pro-democracy

leader Aung San Suu Kyi, the chief government spokesman said Wednesday [19 June].

"If she is arrested, the government will step up its calls on the Myanmar Government for moderation," Chief Cabinet Secretary Seiroku Kajiyama told a press conference.

He declined to answer what he called a "hypothetical question," when a reporter asked if Japan would freeze its financial assistance to Yangon [Rangoon].

"Japan has called for moderation in accordance with its stance as a fellow Asian nation, but we will not be able to continue taking this stance," Kajiyama said.

The United States and Europe are not tolerating the Myanmar situation because they have democratic governments and respect human rights, but Myanmar's "immaturity" in human rights issues should also be taken into account, he added.

When Myanmar's ruling State Law and Order Restoration Council (SLORC) arrested hundreds of members from Suu Kyi's National League for Democracy, Japan asked the junta to release them, but ruled out reviewing its assistance to the Southeast Asian country.

At that time Kajiyama said, "Japan's economic aid to Myanmar centers on areas of basic livelihood directly helpful to public welfare. We have no plans to conduct a review"

Japan suspended official development assistance (ODA) to Myanmar after a military coup in 1988 and has limited its aid to small-scale humanitarian aid.

After Suu Kyi was released from six years of house arrest in July last year, Japan partially lifted the suspension and decided to offer grant-in-aid to Myanmar for programs such as nurse training.

Japan's ODA guidelines call for taking into account such factors as the recipient nation's democratization efforts and military spending.

Kajiyama said Japan has not confirmed information that the junta has already obtained an arrest warrant for Suu Kyi or is preparing a jail cell.

The MAINICHI SHIMBUN newspaper reported Wednesday, quoting sources in Tokyo, that the junta is likely to arrest Suu Kyi, possibly later this week.

While no explanations have been given for the rumored arrest, the sources believe SLORC's recently passed law, which outlaws political movements opposing the government, will be used against Suu Kyi, who turned 51 on Wednesday.

Prime Minister Ryutaro Hashimoto told that reporters he hopes Suu Kyi will not be arrested, saying that if she does it would be "unfortunate."

Japan: Burma Tells Tokyo Junta Has 'No Plan' To Arrest Suu Kyi

OW1906091996 Tokyo KYODO in English
0845 GMT 19 Jun 96

[FBIS Transcribed Text] Tokyo, June 19 KYODO — Myanmar told Japan on Wednesday [19 June] that the country's military junta has no plan to arrest pro-democracy leader Aung San Suu Kyi, the top Japanese Government spokesman said.

Chief Cabinet Secretary Seiroku Kajiyama quoted the Myanmar (Burma) Embassy in Tokyo as saying Yangon (Rangoon) is not thinking of taking any measure against Suu Kyi, and is not preparing an arrest warrant for her.

In addition to this response to Tokyo's inquiry earlier in the day, the Japanese Government has also obtained similar information from the Myanmar Government. Kajiyama told an evening press conference.

Japan will keep a close watch on developments in Myanmar, he said.

In a morning press conference Wednesday, Kajiyama said Japan will take a stronger position if the junta arrests Suu Kyi.

The Japanese daily MAINICHI SHIMBUN reported in its Wednesday editions, quoting unspecified sources in Tokyo, that the junta is likely to arrest Suu Kyi, possibly later this week.

The national daily said in the front-page report that the ruling State Law and Order Restoration Council (SLORC) has already prepared an arrest warrant for Suu Kyi, who heads the National League for Democracy (NLD).

While no explanation was given for the supposedly impending arrest, the sources told the MAINICHI that SLORC's recently passed law to outlaw any political movement against the government will be applied to Suu Kyi, who turned 51 Wednesday.

If Suu Kyi is arrested, tension between SLORC and the NLD will increase, and it is certain that other nations, led by the United States, will invoke economic sanctions against Myanmar, the paper said.

Suu Kyi has defied the military government's laws in giving her weekend addresses from her Yangon home.

The NLD won a landslide victory in the 1990 general election, grabbing 80 percent of the 485 seats at stake, but the junta, which took power in a 1988 coup, has

refused to hand over the reins of government to the group.

Japan suspended official development assistance (ODA) to Myanmar after the coup and has limited its aid to small-scale humanitarian aid.

After Suu Kyi was released from six years of house arrest in July last year, Japan partially lifted the suspension and decided to offer grant-in-aid to Myanmar for programs such as nurse training.

Japan's ODA guidelines call for taking into account such factors as the recipient nation's democratization efforts and military spending.

Japan: Source: Suu Kyi Arrest Reports 'Mere Rumors' Spread by NLD

OW1906131296 Tokyo KYODO in English
1246 GMT 19 Jun 96

[FBIS Transcribed Text] Yangon (Rangoon), June 19 KYODO — A source close to Myanmar's (Burma) ruling military junta Wednesday [19 June] dismissed a Japanese press report about the imminent arrest of pro-democracy leader Aung San Suu Kyi while accusing her National League of Democracy (NLD) of deliberately spreading such rumors to cause public unrest.

The source called the report, which said that the State Law and Order Restoration Council (SLORC) has prepared an arrest warrant and was likely to arrest Suu Kyi later this week, "Nothing but mere rumors."

The source speculated that "such information has most likely been circulated with the aim of aggravating things by the NLD which does not want the (domestic) situation to cool down."

The NLD resorted to such means out of frustration over the failure of a U.S.-orchestrated NLD sympathy campaign among the seven members of the Association of Southeast Asian Nations (ASEAN), the source said. Washington had sent a presidential envoy to the ASEAN countries which pursue a policy of "constructive engagement" with SLORC.

The Japanese daily MAINICHI SHIMBUN reported in its Wednesday editions, quoting unspecified sources in Tokyo, that the junta is preparing to arrest Suu Kyi.

While no explanation was given for the supposedly impending arrest, the sources told the paper that SLORC's recently passed law to outlaw any political movement against the government will be applied to Suu Kyi, who turned 51 Wednesday.

A diplomatic source in Yangon, however, gave the report little credence, pointing out that under the new law arrests can be made without a formal warrant.

"We also have no information that the junta is actually preparing her arrest," the source said.

Suu Kyi, who won the 1992 Nobel Peace Prize for her efforts to promote a peaceful transition to democracy, was released from six years of house arrest in July last year.

The NLD won a landslide victory in the 1990 general election, grabbing 80 percent of the 485 seats at stake, but the junta, which took power in a 1988 coup, has refused to hand over the reins of government to the group.

In Tokyo, government spokesman Seiroku Kajiyama said earlier in the day that the junta has assured Japan that it is not thinking of taking any measure against Suu Kyi and is not preparing an arrest warrant for her.

Japan: Ikeda Wants 'Frank' Talks Between Hashimoto, Kim

OW1806114096 Tokyo KYODO in English
1018 GMT 18 Jun 96

[FBIS Transcribed Text] Tokyo, June 18 KYODO — Foreign Minister Yukihiko Ikeda on Tuesday [18 June] expressed hope this weekend's summit between Japan and South Korea will be a venue for "frank" talks.

"It is important for the top leaders to have frank talks with each other," a Foreign Ministry official quoted him as telling South Korean Ambassador to Japan Kim Tae-chi.

Kim called on Ikeda before returning to Seoul on Thursday to prepare for the talks between South Korean President Kim Yong-sam and Prime Minister Ryutaro Hashimoto on the South Korean resort island of Cheju on Saturday and Sunday.

Japan: Government Source Says Yen Loans to PRC Postponed

OW1906035696 Tokyo NIHON KEIZAI SHIMBUN in Japanese 17 Jun 96 Morning Edition p 2

[FBIS Translated Text] The government decided to postpone the fourth yen-based loan provision to China (FY96-FY00) — a program which is now the subject of controversy due to China's nuclear testing — until September or thereafter. The working-level negotiations with China scheduled to start before summer will not be carried out for the time being.

Although Prime Minister Ryutaro Hashimoto has already indicated opposition to freezing the yen loan,

some quarters in the Liberal Democratic Party and New Party Sakigake insist that the loans should be frozen or postponed. In view of this, the government judged that consideration should be paid to calls from domestic hardliners by restraining any moves until September when the Comprehensive Test Ban Treaty (CTBT) is expected to be concluded, along with China's voluntary suspension of nuclear testing.

Regarding yen loans to China, it is customary for the government to send a mission comprised of officials of the Ministry of Foreign Affairs (MOFA) and the Ministry of International Trade and Industry to wrap up working-level discussions on various matters. However, some members of the ruling parties who oppose China's military drills in the Taiwan Strait, have demanded the freezing of "the fourth yen loans to China" scheduled to start this fiscal year. Because of this, "the dispatch of a mission has been postponed," (according to a MOFA source).

"We will enter into nuclear moratorium (voluntary suspension of the nuclear testing) in September and afterward." A MOFA official praised this 8 June announcement made by China, saying: "To a degree, China paid consideration to Japan's call." He thinks that domestic hardliners will calm down after September when the CTBT conclusion is expected, creating a chance to implement the yen loan program.

Concerning the fourth yen loan program, the basic agreement has already been made to provide 580 billion yen for 40 projects in the first three years. Since China's administrative preparation for those projects has been delayed, the government thinks that "it will not pose a major problem even if the dispatch of a mission will be postponed until September," (according to a MOFA senior official).

Japan: Leader of LDP's Pro-Taiwan Lobby Replaced

OW1806130096 Tokyo KYODO in English
1222 GMT 18 Jun 96

[FBIS Transcribed Text] Tokyo, June 18 KYODO — Pro-Taiwan legislators from the Liberal Democratic Party (LDP) retired their leader Masayuki Fujio at a general meeting Tuesday [18 June] and named Shinji Sato as his successor.

Fujio, 79, offered to resign for his advanced age in favor of the 64-year-old former transport minister, son of the late Prime Minister and Nobel Peace Prize Laureate Eisaku Sato.

Taiwan's top representative in Japan, Chuang Ming-yao, who was present at the meeting, took the opportunity to restate Taiwan's bid for a seat in the United Nations.

"Some two-thirds of U.N. member countries have a smaller population and territory than Taiwan. We need a place where we can talk directly with each other," he was quoted as telling the meeting.

Taiwan withdrew from the world body in 1971 after China was admitted.

Tokyo, Paris To Give New Impetus to Bilateral Cooperation

BR1906140596 Paris LE FIGARO in French
19 Jun 96 p 3

[Report by Jean-Jacques Mevel: "Japan: 'France Is Back'"]

[FBIS Translated Text] "France is back!" To the visible satisfaction of Foreign Minister Herve de Charette, France and Japan have decided to give a fresh boost to their relations — one year after the nuclear row that marked the beginning of Jacques Chirac's seven-year term of office.

On a 36-hour trip to Tokyo to pave the way for a visit by the president of the Republic — undoubtedly in November — the French foreign minister did not hesitate to say the following: "Japan has an exceptional place" in an Asia where Jacques Chirac wants to build his diplomacy's "new frontier."

On the Japanese side the welcome was just as eager. The French minister was received for almost four hours by his counterpart Yukihiko Ikeda, before meeting with Prime Minister Ryutaro Hashimoto and the powerful minister of international trade and industry.

In Tokyo they are murmuring ironically that it is "unfortunate that Jacques Chirac lost a year" by unleashing, last year, the wrath of the Japanese hordes with a series of underground nuclear tests. "A slight hiccup. A minor event," Herve de Charette today says. He reassured his dialogue partners that now that it has ended the tests, France will be the first nuclear power to close its test site in the South Pacific.

In order to forget a bad 1995, France and Japan want to make a long-term bid for what Paris now calls a "strategic" relationship. Beyond the symbolism of Jacques Chirac's state visit (the second one by a French president since Francois Mitterrand's in 1982), the two countries would like to avoid any further rough patches at all costs.

Well Understood Interest

At the proposal of the Japanese, a 20-point "action plan for the year 2000" is to sum up French-Japanese cooperation in all areas — economic, diplomatic, and cultural. The document, which, according to the French side, will be "specific and concrete," is to be published during the head of state's visit.

Furthermore, the resumption of the "French-Japanese Dialogue Forum," co-chaired by [former Prime Minister] Raymond Barre and former Prime Minister Nakasone, should help ease the way for high-level political and economic contacts. "1996 will be the first year in the new relationship between the two countries," Herve de Charette said.

If Paris and Tokyo are now emphasizing what links the countries rather than what separates them, it is because they have understood their interests. On the French side, they are pleased with the fall in the bilateral trade deficit, which has dropped from 30 billion to less than 20 billion francs over two years. But the curb representing the share of the French market is still desperately flat at less than 2 percent.

As for Japan, which dreams of enfranchise its diplomacy, it is definitely counting on receiving France's support. France is a permanent member of the UN Security Council and an influential player in the international financial institutions. The annual G-7 summit, to be held in Lyons next week, will undoubtedly provide an opportunity to assess the strength of the upswing in French-Japanese relations.

Japan: Hashimoto Says Economy Heading for Recovery

OW1906034496 Tokyo KYODO in English
0301 GMT 19 Jun 96

[FBIS Transcribed Text] Tokyo, June 19 KYODO — Prime Minister Ryutaro Hashimoto said Wednesday [19 June] that the 3 percent growth in Japan's real gross domestic product (GDP) in the January-March quarter from the previous quarter shows the economy is heading for recovery.

Referring to the stronger-than-expected gdp growth, he said, "I'm thankful for the figure. The economic growth rate tends to come some 0.5 percentage point higher in a leap year, but, even taking that into account, we can say the economy is heading for a recovery."

Hashimoto made the comments to reporters at the Prime Minister's Official Residence.

Japan: Kubo Says Economy Heading for Sustainable Recovery

OW1906115096 Tokyo KYODO in English
1038 GMT 19 Jun 96

[FBIS Transcribed Text] Tokyo, June 19 KYODO — Finance Minister Wataru Kubo said Wednesday [19 June] that Japan's economy is heading for a sustainable recovery.

Kubo was referring to a 3 percent growth in the nation's gross domestic product for the January-March period from the previous quarter for an annualized 12.7 percent gain, the highest in 23 years.

"Growth above 12 percent can be termed big. Such growth has not been seen since 1973," Kubo told a press conference.

But he declined to say whether additional pump-priming measures are necessary. "It is difficult to make a judgment at this moment," he said.

Kubo said the Finance Ministry will announce whether it will take extra fiscal steps after watching economic developments in the second half of the year, when the effects of public projects under the previous stimulus packages are expected to lose steam.

Japan: Kajiya: Government To 'Rescue' Nation From Fiscal Crisis

OW1906110796 Tokyo KYODO in English
0936 GMT 19 Jun 96

[FBIS Transcribed Text] Tokyo, June 19 KYODO — The government of Prime Minister Ryutaro Hashimoto will try to rescue Japan from its "fatal" fiscal reliance on bond issues, a government spokesman said Wednesday [19 June].

Chief Cabinet Secretary Seiroku Kajiya said he hoped the high 3 percent year-to-year rise in gross domestic product in the January-March quarter will lead to an increase in tax revenue and sounder state finances.

He made the remarks at a press conference to mark Wednesday's end of the 150-day Diet session mostly dedicated to legislating a government scheme to liquidate seven "jusen" housing loan companies, which have virtually gone bankrupt due to nonperforming loans extended mainly to realtors.

Japan has fallen behind other industrialized countries in its handling of financial crises and the bad loan problem at financial institutions, he said.

Under the 75.1 trillion yen budget for the current fiscal 1996, the government is to issue a record 21 trillion yen

worth of government bonds, including 12 trillion yen in deficit-covering bonds.

Japan: BOJ Hints at Continuing Low-Interest Policy

OW1806135696 Tokyo KYODO in English
1315 GMT 18 Jun 96

[FBIS Transcribed Text] Tokyo, June 18 KYODO — The Bank of Japan [BOJ] indicated Tuesday [18 June] it will continue its easy-credit policy despite higher-than-expected gross domestic product (GDP) growth for the first quarter of the year.

Yasuo Matsushita, governor of the central bank, said no factors warranting a policy change have emerged, indicating the present accommodative monetary policy will be maintained.

Nonetheless, short-term interest rates made an upturn on the financial market while the yen strengthened against the dollar, traders said.

The dollar fell to the 107 yen level in London and New York trading on Tuesday morning. It changed hands at the 109 yen level the previous day.

Speculation has now begun to emerge on the market that the central bank will stop guiding short-term interest rates lower in early July at the earliest, they said.

The Economic Planning Agency [EPA] announced Tuesday that Japan's gross domestic product grew an inflation-adjusted 3.0 percent in fiscal 1995 following three consecutive years of almost zero growth.

With the encouraging report, Makoto Kobayashi, EPA vice minister told reporters the domestic economy has begun a process of self-sustained recovery.

Central bank officials said Japan will be able to attain the 2.5 percent growth target set by the government for fiscal 1996, which began April 1.

But the central bank will remain cautious about changing monetary policy at least for the time being, in view of slow recovery in corporate capital investment and lagging structural change in the industry, financial sources said.

Japan: Shinshinto Confirms Opposition to Consumption Tax Hike

OW1906044396 Tokyo KYODO in English
0406 GMT 19 Jun 96

[FBIS Transcribed Text] Tokyo, June 19 KYODO — The main opposition party Shinshinto (New Frontier Party) reaffirmed Wednesday [19 June] its opposition to the government's plan to raise the consumption tax

to 5 percent from the current 3 percent beginning next April, party officials said.

The party's Tax System Research Council confirmed in a meeting of senior members its basic stance against the planned tax hike, the officials said.

Members of the council criticized the plan, saying administrative reforms for spending cuts are insufficient and that the government has proposed no clear vision for social welfare in the future.

Most of the members, however, acknowledged the need to increase the tax to secure funds in the long term for welfare in the rapidly aging society.

The council decided to continue discussions on the entire tax system from a long-term perspective.

Japan: Consumption Tax Hike to 5 Percent Confirmed

OW1906121196 Tokyo KYODO in English
1132 GMT 19 Jun 96

[FBIS Transcribed Text] Tokyo, June 19 KYODO — The Tax Commission, an advisory body to the prime minister, basically agreed Wednesday [19 June] to raise the consumption tax to 5 percent from the current 3 percent effective next April as originally scheduled, the head of the panel said.

"A majority of members confirmed 5 percent.... There's no consideration to lift the tax to more than 5 percent," said Kan Kato, the commission's chairman, at a press conference.

Coupled with a similar agreement already made by a tax reform project team of the ruling coalition, the tax panel's accord is meant to endorse the implementation of the 5 percent consumption tax from next spring.

It will be the first hike for the consumption tax since its introduction in April 1989.

The commission will officially announce the decision on the tax hike Friday in a statement, Kato said.

The ruling coalition's project team is also expected to release a written agreement for endorsement of the tax hike, coalition sources said.

The government has already decided to lift the tax to 5 percent in a taxation reform bill enacted in November 1994, with conditions of a review by the end of September from four viewpoints, such as looking at future social security costs.

With regard to the question of whether to continue special cuts worth 2 trillion yen in income and residential taxes into the next year, the commission postponed a

decision until the end of the year to further monitor economic conditions, Kato said.

"It's not an issue we should discuss now.... Many of the members claimed that the issue should be discussed at year-end in light of economic developments and separately from the consumption tax," Kato said.

The consumption tax hike is intended to make up for the permanent cuts in income and residential taxes implemented from 1995 under the revised taxation system. The cuts totaled about 3.5 trillion yen in that year.

The implementation of the tax hike, however, was to be effective April 1997 in consideration of then economic conditions.

The government is supposed to decide whether to change the 5 percent rate by Sept. 30 after examining four points — financial sources for future social security costs, progress in administrative and fiscal reform, preferential tax measures and appropriate implementation of the consumption tax, and the nation's fiscal conditions.

Both the Tax Commission and the coalition's project team held a series of meetings from the beginning of the week to study these points and came to an agreement on the 5 percent consumption tax rate, forcing the Finance Ministry give up its idea of raising the tax rate further to 6-7 percent, government officials said.

There are strong calls among the ruling coalition for revising the so-called double taxation on petroleum products such as gasoline, coalition sources said.

In addition to the 3 percent consumption tax, an individual indirect tax is imposed on petroleum products.

The double taxation is likely to be a focal point of deliberations to start later in the year on tax reform for fiscal 1997, the sources said.

Japan: Farm Banks Yet To Study Extra 'Jusen' Contribution

OW1806135596 Tokyo KYODO in English
1316 GMT 18 Jun 96

[FBIS Transcribed Text] Tokyo, June 18 KYODO — Farm-related financial institutions will not reply by Wednesday [19 June] to a request for additional contributions to the liquidation of seven moribund "jusen" housing loan companies because the framework for such contributions remains unclear, an industry leader said Tuesday.

"We are not in a position to make a judgment today or tomorrow because the request lacks specific content," said Kazuo Nagai, executive managing director of the

National Association of Prefectural Credit Federations of Agricultural Cooperatives, during a press conference.

As prerequisites for a start of discussions on the extra commitment by farm banks, Nagai said maximum contributions by banks that founded the failed housing loan firms should first be set and the outstanding interest due for the January-March quarter on their loans extended to the mortgage firms should be paid.

Nagai said that after the Diet approved six financial bills Tuesday, including one needed to use 685 billion yen in the fiscal 1996 budget for the mortgage company liquidation, Agriculture, Forestry and Fisheries Minister Ichizo Ohara conveyed the request by Finance Minister Wataru Kubo to leaders of farm-affiliated financial institutions, the largest creditor group of the mortgage companies.

Kubo told Ohara that the Finance Ministry is trying to reach an effective agreement among parties concerned on the framework for additional contributions during the current Diet session, which ends Wednesday with an aim at mapping out details by the time a mortgage-company disposal vehicle is set up to take over loans from the companies, according to Nagai.

Nagai said Ohara quoted Kubo as saying the Finance Ministry is seeking cooperation by the financial circle in creating a new investment fund with a view to stabilizing the nation's financial system and protecting depositors, as a way to minimize taxpayers' burden as much as possible.

"We will seriously study the request by respecting its purpose, but it's extremely difficult for farm-affiliated financial institutions to make additional contributions," Nagai said.

Ohara told Nagai that while Kubo asked other financial institutions to make a decision by Wednesday, there was no such request to farm-related lenders, Nagai said.

"I believe Kubo understands we cannot make a judgment without specific contents," Nagai said.

Under the government-brokered scheme to wind up the failed housing loan companies, the *jusen* founders are requested to give up all their claims — worth 3.5 trillion yen — against the mortgage companies, while agricultural banks are to put up 530 billion yen as financial support in return for repayment of all their loans.

Japan: Government, Coalition Issue Statement on 'Jusen' Burden

*OW1906102296 Tokyo KYODO in English
1001 GMT 19 Jun 96*

[FBIS Transcribed Text] Tokyo, June 19 KYODO — The government and the tripartite ruling coalition on Wednesday [19 June] issued a joint statement formally asking financial institutions, including those for agriculture, to set up a new investment fund designed to ease taxpayers' financial burden related to the so-called "*jusen*" housing loan company problem.

The statement stresses determination by the government and coalition to reduce "as much as possible" the use of 685 billion yen in taxpayers' money in liquidating seven insolvent housing loan companies by paying profits from the management of the funds to the state coffers.

The use of public funds is included in the government-crafted housing loan company liquidation scheme and has drawn strong criticism from the populace.

In the statement, the government and the coalition also formally ask the bank of Japan to use its money for the proposed creation of the fund while giving due heed to the nature of the central bank's money.

The statement stresses that Deposit Insurance Corp. and a vehicle it will create to liquidate the housing loan firms will strictly pursue responsibilities of borrowers and lenders involved in the problem.

The liquidation law, which passed the Diet Tuesday, is expected to help stabilize Japan's financial system and regain public confidence in it, the statement said.

It urges financial institutions to recognize their public role and prevent a recurrence of their bad-loan problems by thoroughly rationalizing their operations.

The statement also urges agricultural financial institutions to make their operations efficient and healthy through rationalization efforts.

Among coalition policy coordinators who released the statement at a press conference, Kazo Watanabe, parliamentary deputy chief cabinet secretary, said the allocation of money to be contributed to the investment fund by financial institutions has yet to be decided.

Details of the fund plan will be worked out as early as possible through negotiations with financial institutions concerned, he said.

He added that their replies are expected to be made before long because the finance and agriculture ministers have been asking for their cooperation since Tuesday.

Also present at the press conference was Chief Cabinet Secretary Seiroku Kajiyama, who said the statement reflects the government and the coalition's "indomitable resolve" to implement the liquidation scheme and eliminate public discontent arising from the housing loan company problem.

Japan: Banks Consent to Extra Commitment in 'Jusen' Plan

OW1906103796 Tokyo KYODO in English
0954 GMT 19 Jun 96

[FBIS Transcribed Text] Tokyo, June 19 KYODO — The banking industry gave the Finance Ministry on Wednesday [19 June] its consent to a proposal to shoulder more of the financial burden in a scheme to liquidate the failed "jusen" housing loan companies, the finance minister said.

Representing the Federation of Bankers Association of Japan, a senior official at Sakura Bank conveyed to the ministry its basic decision to join a plan to create a new investment fund which is intended to offset 685 billion yen of money from taxpayers under the original liquidation scheme, Finance Minister Wataru Kubo said at a news conference.

Meanwhile, a ranking official at the farm ministry said agricultural financial institutions, the biggest collective creditors to the housing loan companies, also accepted the investment fund proposal.

Kubo indirectly endorsed this, saying they sounded positive about the plan.

Tuesday, the Bank of Japan (BOJ) already expressed support toward the new investment fund, with BOJ Governor Yasuo Matsuhashita saying the central bank will study its role in the fund while taking into account the BOJ's public nature.

Kubo said the BOJ showed intent Wednesday to clarify its stance shortly.

Kubo said, "The banking industry accepted the investment fund plan on conditions that the plan would help recover confidence both at home and abroad in Japan's financial system."

The industry also called for the farm sector to assume "a considerable amount of cooperation in the jusen scheme" as a condition to join the investment fund plan.

In addition to financial contributions to the fund, farm-related organizations are also being asked to relinquish about 60 billion yen in interest earned for the January-March period on their loans to the housing loan companies.

Since agricultural institutions are strongly opposed to giving up the interest income, the government is trying to get their approval for additional contributions to the liquidation scheme, financial sources said.

Meanwhile, the government and the three ruling coalition parties formalized a framework Wednesday afternoon for the investment fund plan.

Following the adoption of the framework, the government and the ruling coalition issued a joint statement on the additional burden issue, making a formal request by all concerned parties in the investment fund plan.

The government-crafted scheme for the liquidation of the seven failed housing loan firms spells out the specific burden sharing among concerned parties — 3.5 trillion yen for the founding banks, 1.7 trillion yen for nonfounder creditor banks and 530 billion yen for farm-related financial institutions — to finance liquidation losses, which are estimated at 6.41 trillion yen.

The remaining 685 billion yen is to be shouldered by taxpayers under the fiscal 1996 budget.

The scheme triggered strong public criticism, leading to the idea of the investment fund.

The government is seeking to set the details of the fund plan by late July, when an organization is created to take over bad loans to be left over by the liquidation of the jusen firms.

According to Finance Ministry sources, the ministry's proposal calls for creating a 700 billion yen fund with money from financial circles as well as the Bank of Japan.

The pooled money would be managed over a 15-year period with a compound interest rate of 3.8 percent per annum. The estimated 520 billion yen in investment returns would be funneled to the national coffers to help offset the taxpayers' burden, the sources said.

Japan: Hashimoto Voices Support for Deregulation

OW1906130196 Tokyo KYODO in English
1158 GMT 19 Jun 96

[FBIS Transcribed Text] Tokyo, June 19 KYODO — Prime Minister Ryutaro Hashimoto said Wednesday [19 June] he wants the cabinet to convene as early as possible to discuss how to promote deregulation, government officials said.

Hashimoto made the remark at a meeting with Shusei Tanaka, director general of the Economic Planning Agency, who told him that structural reform through deregulation is vital for full-scale economic recovery and long-term, stable growth, the officials said.

Tanaka was quoted as proposing deregulation in four areas: information and communications, product distribution, finance, and land and housing.

Meeting reporters after his talks with Hashimoto, Tanaka said he will submit his deregulation plan to the cabinet and hopes a package of measures is mapped out this fall at the initiative of politicians to promote deregulation.

The government adopted a deregulation program in March.

Japan: Diet Closes 150-Day Regular Session Without Extension

*OW1906090596 Tokyo KYODO in English
0821 GMT 19 Jun 96*

[FBIS Transcribed Text] Tokyo, June 19 KYODO — The ordinary Diet session ended Wednesday [19 June] after 150 days of deliberations overshadowed by political squabbles over the government plan to liquidate failed housing loan companies, known as "jusen."

It was the fifth consecutive closure of the regular parliamentary session without extension since 1992.

Attention has now switched to the timing of the next general election for the House of Representatives, or the lower house.

Bills concerning the government's plan to use 685 billion yen of taxpayers' money to clean up the jusen mess passed the Diet on Tuesday.

Discussions at several Diet committees will continue after the end of the term.

A bill on organ transplants was shelved for future Diet debate for the eighth time.

During the session, all 99 bills submitted by the government and eight treaties were approved.

But due to disagreements among three ruling parties, the coalition government did not submit several bills, including one concerning a public nursing care insurance system and one to allow spouses to have different surnames from each other.

In addition, 11 bills submitted by lawmakers also passed the Diet.

Japan: Ruling, Opposition Parties Pick Upper House Leaders

*OW1806145196 Tokyo KYODO in English
1442 GMT 18 Jun 96*

[FBIS Transcribed Text] Tokyo, June 18 KYODO — The Liberal Democratic Party (LDP), a dominant force in the tripartite ruling coalition, and a main opposition

bloc in the House of Councillors on Tuesday [18 June] elected new leaderships in the lower chamber of the Diet.

The new majority leader in the upper house is Shigenobu Sakano, 78, of the LDP, a former home minister and now in his fourth six-year term of office, party officials said.

Masakuni Murakami, 63, and Mitsuhiro Uesugi, 54, remain LDP secretary general and Diet Affairs Committee chairman of the upper house, respectively.

Meanwhile, Heisei Kai, a 68-member upper house opposition alliance led by Shinshinto (New Frontier Party), named former Labor Minister Takushi Hirai, 64, as its new head, party officials said.

The group's post of secretary general went to former Justice Minister Shigeto Nagano, 73, while Kazuyoshi Shirahama, 48, became chairman of its Diet Affairs Committee.

Japan: Diet Passes Bill for Panel on Capital Relocation

*OW1806130196 Tokyo KYODO in English
1201 GMT 18 Jun 96*

[FBIS Transcribed Text] Tokyo, June 18 KYODO — The House of Councillors on Tuesday [18 June] passed a bill to establish an advisory panel to discuss moving some capital city functions away from Tokyo.

Now that the bill has been approved by both houses of the Diet, the government will choose the panel's members with a view to it commencing operations by the fall.

Members of the three ruling parties — the Liberal Democratic Party (LDP), the Social Democratic Party and New Party Sakigake — and the main opposition Shinshinto (New Frontier Party), jointly sponsored the bill.

At the request of the LDP's Tokyo metropolitan chapter which opposes relocation, the bill has included an additional provision stipulating that when the panel proposes candidate sites, the advisability of relocation should be considered in comparison with the present capital.

The government's own panel researching the possible shifting of the capital's functions said in its final report late last year that it will choose a place suitable as a new site within two years.

Therefore, the proposed new panel would likely recommend a new site sometime between the end of 1997 and the summer of 1998.

The bill leaves up to the new panel the question of how many places to nominate as alternative sites for the capital's functions.

It also states that the prime minister should choose the panel's members with the approval of the Diet. The panel may have no more than 20 members.

Japan: Rivalry Between LDP, Shinshinto in Transportation Sector Viewed

962A0050A Tokyo TOKYO BUSINESS
INTELLIGENCE in Japanese Mar 96
pp 83-87—OPEN

[Unattributed article: "Rivalry Builds Resentment in Transportation Zoku"]

[FBIS Translated Text]

Appeal of New Capital 'Fukushima'

On a day in December last year, Hiroshi Mitsuzuka (former Miyagi 1st electoral district and electoral districts below are former ones, LDP [Liberal Democratic Party]), chairman of the Mitsuzuka faction, commanded a view of the Fukushima Basin followed by the Sendai plains, his home, from 1,000 meters in the sky above the Abukuma River that sparkled with silver in the rays of the winter sun. Below the Tohoku Shinkansen (bullet train) and Tohoku Highway, the Sendai International Airport with direct connections to Seoul, Guam, Saipan, and Singapore, etc., as well as the port of Sendai which is the entrance way to the northeastern seas, spread out along with the city streets of Sendai.

Mitsuzuka had chartered a helicopter and become a man of the skies, accompanied by LDP Diet members from Fukushima and Miyagi, not because a famous distinguished politician wanted to show them his hometown but rather to carry out decisively a demonstration that "the new capital should be Fukushima instead of Tokyo."

The tour from the air was an action of the government's Committee To Move The Diet, etc. (chairman: Osamu Uno, adviser to Kansai Economic Association) which had studied the moving of capital functions and which had submitted its final report that considered the leading candidate place to be essentially from North Kanto to the Tohoku Pacific side, citing nine factors such as "close to an airport which has international routes" and "generally within a 60 to 300 kilometer range from Tokyo."

What must not be overlooked here, however, is that the leading candidate place for transfer of the capital is not Sendai which is Mitsuzuka's hometown, but Fukushima. Sendai does not fall within the 300 kilometer range

from Tokyo. It would be good to hear that they "support neighboring Fukushima as Diet members from the same Tohoku," but such a pronouncement has not sprung from Diet members of Shinshinto transportation zoku.

"It is all the same to Mitsuzuka whether it (the new capital) be Sendai or Fukushima. Fukushima has no international airport and the only large harbor is Onahama. If the new capital comes to Fukushima, access by air and sea will have to depend on Sendai. If a new capital is built, attention is apt to be absorbed in how buildings such as the Diet Building, the prime minister's residence, and various government offices as well as the city streets are constructed, but more important than that is what will be done about access by land, sea, and air.

"It is said that it will take 14 trillion yen to build a new capital, but it will take more than that for provision of ground, sea, and air transportation and this is linked to lucrative vested interests. It is fine with Mitsuzuka if the capital is brought to the neighboring prefecture. On the contrary, he has sounded like a man of stature in supporting it aggressively, but he has been making solid calculations worthy of the don of the transportation zoku."

Links With Center Emphasized

A reason in itself is that the move of the capital has been written about at great length. At any rate, the true intentions of Mitsuzuka, who is aggressively promoting a move of the capital to Fukushima, should be understood from the standpoint that the concept and vested interests structure of the current transportation zoku differ clearly from other zoku Diet members.

For example, as opposed to the vested interests structure of the zoku Diet members from the construction zoku and agriculture, forestry, and fisheries zoku which simply are to realize the encouragement of profits for their hometown, laying bridges in their hometown, providing roads, or acquiring agricultural subsidies, the vested interests of the transportation zoku are realized within a transportation network that includes the whole nation of Japan. There is no concept of anything at any cost for the hometown. If there is a case where it will result in an advantage for the hometown, like Mitsuzuka's, he will act all the more aggressively. A veteran private secretary of an LDP transportation zoku Diet member explains that as "very clear if you look at the sponsors."

"Taking the construction zoku as an example, the sponsors are large general contractors and the local construction industry, but even though there are large general contractors on a local level, it is the branches

that are the partner. Ultimately, it is how to coordinate the construction industry pyramid with a large general contractor at the top that has been formed in the hometown. As for the agriculture, forestry, and fisheries zoku, the eye is directed toward local agricultural cooperatives rather than the agricultural cooperative center. In the case of the transportation zoku, however, except for the taxi industry whose licensing authority lies with the prefecture, the central industry is the partner for aviation, shipbuilding, shipping, railways, and trucking. There is nothing better than bringing an airport or shinkansen to the hometown, but it is a mechanism where vested interests are realized even without that."

In other words, compared to other zoku Diet members, the transportation zoku has strong links to central industries and business circles rather than local.

It was the Lockheed incident that frankly showed this. It was in 1976 that this greatest scandal since the war was detected. It concerned the selection of the type of aircraft for All Nippon Airways, and three people, former Prime Minister Kakuei Tanaka who received a bribe of 500 million yen, former Transport Minister Tomisaburo Hashimoto and former Transportation Parliamentary Vice Minister Koko Sato were arrested, and former Chief Cabinet Secretary Susumu Nikaido and former Transportation Parliamentary Vice Minister Mutsuki Kato (titles all at that time) were identified as gray officials.

There was no local connection in the Lockheed incident. Diet members called "the aviation zoku" headed by the former prime minister had maneuvered secretly concerning the choice of aircraft type by an airline company in charge of one wing of Japan's aviation network.

The birth of the words zoku Diet members also began with this Lockheed incident. After the war, there had been many scandals born from the adhesive structure of politics, the bureaucracy, and business such the Shoden scandal, the shipbuilding scandal, and Nittsu scandal, but the zoku Diet member organization which was systematized with a boss Diet member at the top had not appeared in a main role in the scandal incidents. At that point in time, the transportation zoku became the first zoku Diet members to have created a scandal incident, but perhaps its formation of zoku Diet members was earlier than Diet members of other zoku. That is because its ties were stronger with the industry rather than the inducement of profits for a hometown and it was easy to systematize with that as a axis.

The genealogy of the transportation zoku today started with this Lockheed incident. The vested interests

in transportation that were formed centering on the Tanaka faction shifted to the Seiwakai successively with Fukuda, Abe, and Mitsuzuka on the occasion of the Lockheed incident. At its center, of course, was Mutsuki Kato (Okayama 2d district, Shinshinto). Kato began with the aviation zoku and widened his activities to the land transportation industries such as the trucking industry, growing like a boss of a transportation zoku uniting the three units of land, sea, and air.

It was Mitsuzuka who was called over by Kato saying that "There is no money in education. Why not come to transportation?" and changed over from the education zoku to the transportation zoku. And he has now become the acknowledged big boss of the transportation zoku.

It was the problem of dividing up and privatizing the national railway which became the occasion for this Mitsuzuka to eclipse Kato. As opposed to Kato who stood against the division and privatization, Mitsuzuka promoted the national railway privatization as the standard bearer of the promoter faction and put his clutches on railway vested interests along with the privatization.

Afterward, the two opposed each other concerning the battle to be successor to the Abe faction and the defeated Kato left the faction and further turned to Shinseito (at the time) seeking a new realm. Currently, Mitsuzuka is the transportation zoku boss for the ruling LDP and Kato also exists as a leader of Shinshinto transportation zoku. The rivalry of the two in transportation vested interests which began with national railway privatization spread in scale from zoku Diet members to faction to party and seems to unroll like a picture scroll of the warring states.

Major Factions Attracted to Vested Interests

At any rate, which Diet members comprise the current zoku Diet members? Let's proceed referring to the separate table.

Talented men regarded as the respective successors are growing from the genealogy of Mitsuzuka and Kato who are separated into the LDP and Shinshinto. They are Shizuka Kamei (Hiroshima 3d district) in the LDP and Michihiko Kano (Yamagata 1st district) in Shinshinto. Both are comrades who grew within the former Abe faction. Although Kano is the senior by one term of the two with Kamei having won election six times and Kano having won seven times, as opposed to Kano having been transportation parliamentary vice minister, chairman of the Transportation Committee, chairman of the LDP Transportation Division, and agriculture, forestry, and fisheries minister under the Kaifu cabinet, Kamei, as if following in his footsteps, has been transportation parliamentary vice minister, chairman of

the LDP Transportation Division, and transportation minister in the Murayama cabinet. Indeed, they can be called rivals whose careers closely have resembled each other, suggestive of the relationship between Mitsuzuka and Kato.

In regards to their political influence, though, it seems the nod is given to Kamei who executed the big LDP-Socialist Democratic Party (SDP) coalition, was appointed transportation minister as a reward for that and brought a new phase to transportation administration such as expressing his disapproval on the part-time stewardess problem and working out provisions for an international hub airport.

Apart from this transportation zoku affiliated with the Seiwakai, there also exists that genealogy of a transportation zoku within the former Tanaka faction that collapsed in the Lockheed incident. There are the words, "Tanaka faction equals general hospital," but it was the same time as the inauguration of Keiseikai and Shin Kanemaru acted as an intermediary in the transportation vested interests with the linear bullet train as a lever. Among the so-called seven magistrates of Keiseikai, Keiwa Okuda (Ishikawa 1st district) was in charge of transportation, appointed transportation minister in the first Miyazawa cabinet, and displayed his skill by promoting commuter airports linking local cities with small aircraft. In Shinshinto, Kato and Okuda have become the twin masters of the transportation zoku and Kano is cultivating real power as their successor.

In the LDP Mitsuzuka faction lineage, however, Yoshiyuki Kamei (Kanagawa 5th district), who became the transportation minister in the new Hashimoto cabinet, has attracted attention as existing next to Shizuka Kamei. Because of his ties with the Odakyu Railway which runs through his electoral district, connections with the private railway industry have been rumored, but it is said that "he is neutral regarding the Shinkansen provision problem (total of five bullet train lines to Hokkaido, Tohoku, Hokuriku and Kyushu)."

In the Obuchi faction, Kanezo Muraoka (Akita 2d district), Shinji Sato (Yamaguchi 2d district), and Fumio Kyuma (Nagasaki 1st district) occupy a section of the transportation zoku. They have been assigned the respective industries of land transportation for Muraoka, transport fuel for Sato, and shipbuilding for Kyuma. In the Miyazawa faction, there are Shozo Harada (Shizuoka 1st district) and Sadatoshi Ozato (Kagoshima 2d district). Both are multiplayers well-versed in the overall transportation administration of land, sea, and air, and can be called the scholarly disposed transportation zoku which published a treatise on respective earth-

quake countermeasures after the Great Hanshin-Awaji Earthquake.

Similarly, Katsutsugu Sekiya (Ehime 1st district) of the former Watanabe faction and Tokuo Yamashita (Saga prefecture district) of the former Komoto faction, who are considered transportation multiplayers, are transportation zoku representing their factions. However, it is becoming the established conviction in Nagata-cho that "the mainstream of the transportation zoku is the Mitsuzuka faction." There is no mood for this trend to change for now.

Shinkansen Provision, Hub Airport Are Targets

However, how will transportation vested interests develop in the future? The large projects currently embraced by the Ministry of Transport (MOT) are the shinkansen provision for land, the construction of an international hub airport and commuter airports for aviation, the construction of an international container terminal, and putting a techno superliner in service for sea.

A wait-and-see attitude on the part of the construction-related industry can be expected regarding provision of shinkansen if it is feared to their hometown, but aside from the five sections of three lines currently under construction, there will be a review of the plan itself due to financial difficulties; and it is hopeless for the most part. The linear shinkansen also has had a slowdown since Shin Kanemaru's collapse.

Since a large-scale international hub airport will be constructed in South Korea, the construction of an international hub airport as national policy has been advocated as "protecting the entranceway to the air of Asia," but there is no land to build more airports besides the Narita and Kansai Airports. Ultimately, they must either expand the existing Narita or Kansai Airports, or build it off Haneda. However, that will be rather difficult because of control problems. The commuter airports probably will not become much of a vested interest in terms of scale.

"The sole possibility for vested interests is the sea. A techno superliner linking ports in Japan by high-speed ships is still a matter for the future, but the construction of an international container terminal has been strongly demanded by the manufacturing industry in relation to the economic growth of Asia and probably will be realized sooner than the other fields. Vested interests in the sea are broad such as shipbuilding, shipping, harbors, and dredging. Future vested interests probably will center on the sea." (reporter assigned to MOT)

It is an analysis where the transportation zoku somehow seems complacent, but there is an indication that "The

strong vested interests organization of the transportation zoku Diet members who provoked the shipbuilding scandal and Lockheed scandal cannot be created in the future." That is because formerly divided into land, sea and air, the land transportation, marine transportation, and aviation zoku whose vested interests coexisted with co-prosperity have become multi-field players].

"Since about the time that national railway privatization commenced, they no longer have been able to get along as zoku Diet members specializing in only one field of land, sea, or air.

"In other words, nothing can work without the comprehensive concept that extended over the land, sea, and air. Previous scandal incidents occurred linking some zoku Diet members and specific industries, but work is impossible being linked just to a specific industry. That is to say, the lucrateness of those vested interests alone are slight. At most, it is the extent of holding parties for political fundraising. That is because it is profitable to a certain extent if you have parties since there are many central industries related to transportation" (LDP private secretary familiar with transportation administration).

Key Is Building a Comprehensive Transportation System

There also is a transportation "zoku" Diet member who welcomes this trend. It is Representative Taizo Fukudome (Saitama 1st district), a first-year Diet member of Shinshinto assigned to the Transportation Committee. If the definition of a zoku Diet member is considered to be "a Diet member who has gone through the steps of parliamentary vice minister, section chairman, committee chairman, and minister, and his power over the bureaucracy and business has become effective," the representative is an embryo of that. He is no more than a zoku Diet member still taking shape.

"So-called zoku Diet members have become rampant because a comprehensive basic plan concerning transportation has not been created. For that reason, Diet members have come to act for the sake of one's hometown or an industry. Moreover, MOT also has been run for the benefit of the ministry or the benefit of a bureau. In the future, the building of an airport in an area or the passing through of the shinkansen should be studied from the viewpoint of how to build a comprehensive transportation system. If a comprehensive basic plan is created giving priority to this national interest, there probably wouldn't be any room for zoku Diet members to act."

Transportation administration is the artery for the development of industry. Large-scale projects are about to begin facing the 21st century. Will the zoku Diet mem-

bers be able to give up the stigma of a zoku Diet member and develop the transportation administration in accordance with the national interest? Let's end by stating the speech of Sadatoshi Ozato, former director general of the Hokkaido and Okinawa Development Agencies (Kagoshima 2d district, LDP) who has frowned on the secret maneuvers of transportation zoku Diet members and "has felt resistance to the words, zoku Diet member."

"Frank reflection must be made on the phenomenon that zoku Diet members have come to be criticized. However, transportation administration demands expertise, high standards, and objectivity, and it is a field where it is necessary to become an expert. Becoming well versed in transportation administration is a mission imposed on Diet members. Of course, politics must not be involved in private transactions. Transportation administration in recent years seems to have proceeded from the viewpoint of looking in perspective at the whole network of Japan and a balance of land, sea, and air. Haven't the abuses by zoku Diet members lessened along with that? I think that the decline in fundraising parties by zoku Diet members is proof of that."

Are the vile zoku Diet members really disappearing?

Japan: Ichiro Ozawa's Latest Book 'Tells All'

962B0078A Tokyo SHUKAN BUNSHUN in Japanese
4 Apr 96 pp 168-171

[Unattributed article: "Ichiro Ozawa Speaks From His Heart in His Book 'Tells All'"]

[FBIS Translated Text] Ichiro Ozawa is staking his political life on the "dissolution of the jusen [housing loan companies]." Following his picketing tactic, what will be his "next gambit?" Attracting attention in Nagata-cho [political quarters in Tokyo filled with Diet and party buildings], along with this question, is the substance of his own book to be put on sale in April. Ichiro Ozawa told all in this written "great confession" ranging from secret episodes in the political world, which he can now tell freely, to his counterarguments against unfounded slanders and further on his personal privacy.

"Before discussing whether to introduce public funds or not to deal with bad debts, our first consideration should be to establish rules by clarifying who are to assume responsibilities and to what extent for the situation the monetary institutions have reached. (passage omitted)

"However, in Japan which forms a lean-on-each-other society, precedence is given only to talk about ways of doing harm to no one and rescuing everybody, thereby leaving the question of responsibility in the

air. Shutting its eyes to the issue of responsibility, the government intends to justify the introduction of public funds, eagerly arguing that 'this is a financial unrest, a terrible situation.' (passage omitted) It is natural for the people to get angry when they see the government only intends to use taxes through such meaningless talk."

Refuting the government's jusen liquidation measures is Shinshinto [New Frontier Party] President Ichiro Ozawa (53). His "bitter tongue" minces no words in criticism.

"The current coalition government among the Liberal Democratic Party [LDP], the Social Democratic Party [SDP], and Sakigake [Harbinger] basically symbolizes the lack of a turning point. Everybody in the coalition is thinking that Japan is still all right with the conventional methods. There is no sense of crisis at all. (passage omitted) If we keep going this way, our society will find itself in dead darkness...will be moving straight toward hell."

These are passages from the book *Ichiro Ozawa Tells All*, which is to be published on 10 April (publisher: SHUKAN BUNSHUN Co.; estimated price: 1,500 yen)

As for Mr. Ozawa's other book, his *Blueprint for Building a New Japan* (published by Kodansha) became a best seller in 1993. In the book, Ozawa used Japan's rebirth as its theme and put his pet policies together, airing the Ozawa-style policy visions.

For three years since then, the political situation surrounding Mr. Ozawa has changed. Mr. Ozawa, who displayed his influence only behind the scenes, has now shown up on the front stage as a party head. Under these circumstances, he has taken the following step.

He has made a "confession" for the first time; he opens his heart, which he never laid bare in the past. He has exposed all — ranging from secret episodes in the political world, which only persons concerned knew, to his personal privacy.

For example, he mentioned the Keiseikai [Takeshita faction] split, which touched off the restructuring of the political world.

Keiseikai's internal dispute began with the difference of opinions on how to deal with Chairman Shin Kanemaru's involvement in the Tokyo Sagawa Express Delivery Service scandal. Mr. Ozawa stood against former Prime Minister Noboru Takeshita and Mr. Seiroku Kajiyama, and the confrontation developed into a struggle over the succession of the chairmanship.

"As for Takeshita, I am sure that his main prop was Mr. Kanemaru and myself from the outset. However, when Mr. Kanemaru's incident took place, Mr. Takeshita did not indicate that he would protect Mr. Kanemaru by all

means. In addition, when one becomes a bigwig, one falls into self-conceit without exception. I think that a man like me, who makes complaints bluntly and does not curry favor with him, may have been perceived as not quite a pleasant guy."

Keiseikai was disrupted, and Mr. Ozawa recommended Mr. Tsutomu Hata as a candidate for chairman while Mr. Takeshita nominated Mr. Keizo Obuchi.

"Then, Mr. Kanemaru said to me, 'You, do have a talk with Takeshita.' So I met him several times. I met him at Mr. Kanemaru's office and also at other places. (passage omitted) As a proverb goes, in a quarrel both parties are to blame. So I told Mr. Takeshita to start over from scratch and begin talks. I said that if Mr. Hata became chairman as a result of such talks, I would comply with it. (passage omitted)"

"However, Mr. Takeshita did not agree to this offer at all. As he usually does, he simply said over and over again: 'That is no good. That is not the way. Just accept Obuchi.'"

When the Morihiro Hosokawa government was realized through the toppling of the 1955 system [two big party system realized in 1955 with the formation of the LDP and with the unity of the Japan Socialist Party], a secret meeting between Ozawa and Hosokawa in the wake of the general election provided important momentum to the realization of the government. What remarks did Ozawa make to persuade this "prince?"

"Only two of us met in a hotel. I asked: 'I do not care who will become prime minister only if we can build a new non-LDP government. I do not stick to Mr. Hata. I think you are suitable for the post, but may I hear your views?' In response, Mr. Hosokawa said that 'we are to carry out political reform.' I replied: 'That is a good idea. Carrying it out alone has enough historical significance. Political reform is what I have long argued for. I would like to cooperate wholeheartedly in its realization.' Then, he said something like, '(passage omitted) But, well, this is too sudden a thing, and I have not thought of it. So, please let me have a time to think about it.'"

"Mr. Hosokawa probably did not expect such an offer, and so he did not make an immediate decision on the spot. We met again two days later. At that time, I told him that I would promote the plan if he was ready to accept the offer. He seemed to be saying that it was fine with him if all others would agree."

Based on this secret talk, Mr. Ozawa conducted backstage negotiations with the SDPJ, the Democratic Socialist Party [DSP], and Sakigake. He says that the idea of backing up Hosokawa was the natural outcome of the

contemplation over who would be most suitable for the leading post in order to create a non-LDP government.

However, Prime Minister Hosokawa's sudden resignation was beyond expectation. Ozawa says, "I thought that his government would last at least three years."

Ozawa's talk about secret episodes in the political world then move on to the collapse of the Hata government, the sounding of the late Mr. Michio Watanabe on his candidacy, and the support for Mr. Toshiki Kaifu.

He also shows his keen observing eye. One of the things illustrating this is his view of Mr. Masayoshi Takemura, with whom he was rumored to be at feud.

"He seems to have thought that the best way to have himself known to the public was to appeal to the mass media with the Ozawa vs. Takemura image by setting himself against me more than needed. His is a carefully calculated move in which he takes such a thing into account."

His personality sketches, which point out essential qualities, cover Mr. Kakuei Tanaka whom he adored like his father and also Mr. Shin Kanemaru.

"Mass Media Is Largest Conservative"

A villain image has always hung on Mr. Ozawa. This is partly attributable to his continuous silence regarding the so-called Ozawa bashing.

Mr. Ozawa counterargues against "ungrounded slander."

"I think that those who call me a big-country advocate or a hegemonist should clearly mention that 'we do not want today's peace or affluence.' While saying that they hope for peace and want to enjoy an affluent livelihood, they would like to evade international responsibilities. Such a selfish way of thinking does not pass. I believe that the very persons who hurl such criticisms against me are genuine egoists and at the same time premodern viewers of the state, who are dangerous beings."

Touching on the criticism against money politics, he also takes aim at the mass media for continuing Ozawa bashing in this respect; he contends that money is necessary to a certain extent for political activities.

"This behavior by the mass media may be ascribed to its being the largest conservative. This is because the essence of the mass media has not changed at all in both prewar and postwar periods though we may say the same thing about the Japanese as well. (passage omitted) Various opinions, which are not in line with the framework of justice concocted by the mass media, (words omitted) are labeled as 'being reactionary or rightwing' and dismissed flatly. (passage omitted)"

"What on earth is the mass media's 'framework of justice?' In terms of relations with politics, what the mass media did under the protracted LDP regime was simply make noisy complaints against political power. (passage omitted) In this respect, the mass media was the same as the SDPJ."

Concerning him being called "Herculean arms" [reportedly because of his forceful, pushy working style], he says:

"No matter how an affair may entail pain, I believe that it should not be concealed and should be told to the people clearly; this is what I am actually practicing. This may be the reason why I am disliked by some politicians and people. However, as a person who has been entrusted with politics through elections, it is my duty to speak of such things. It represents a politician's negligence not to tell about it."

Adding analytical comments, Mr. Ozawa says that "in the village-oriented Japanese society, people tend to join forces to beat up persons who make self-assertions and who are willing to assume responsibilities." He deplors that this tendency has also spoiled politicians' self-awareness of their responsibilities; as a result, Japan has become an irresponsible giant.

I Call Wife "Kame-san"

This was the very reason he argued for the reform of the election system and founded Shinshinto to regain the original function of the Diet, which should discuss the way the nation should be.

On the other hand, because he joined hands with Komeito, he met fierce opposition, evoking the criticism that "Shinshinto is the Soka Gakkai Party." (Soka Gakkai — Japan's largest Buddhist lay foundation which was the former Komeito's major power base and is now a key Shinshinto supporter)

"I do not fear Soka Gakkai at all though this may partly be attributed to my being from the countryside. Those from urban areas appear to feel apprehension that they might lose in the elections unless they curry favor with Soka Gakkai, but I believe that this will not happen. (passage omitted) With the beginning of the single-seat constituency system, we have now united with other forces under Shinshinto. Those forces have been mixed and diffused together within a large political party, and so it is impossible that the party's decisionmaking will be swayed by Soka Gakkai members. If such a thing happens, those originally from Komeito will be isolated within Shinshinto and will not be able to get even the party's official endorsement."

"And the story that we are getting money from Soka Gakkai is a totally ungrounded frame-up by the mass media and some politicians."

When the topic shifts to his privacy, his way of talking changes entirely. He shows his real "pure" face, which is a far cry from the image of a "formidable" man as depicted by people in town.

Mr. Ozawa was born in Tokyo as the eldest son between Saeki, a lower house Diet member, and Michi. Then, he lived in Mizusawa City, Iwate Prefecture until he entered high school. Saying that he was influenced by his mother most, he stresses that "how a child grows up depends on his or her mother."

"Mother was a woman born in the Meiji era, and so she educated us in an old fashion and enforced rigid discipline. Believing that the living style of the Meiji era was right, she always held my father in high esteem. It was in those days that I somehow began to have the notion that I would become a useful man for the country."

Mr. Ozawa "set it as my goal to become a politician at around 17 or 18 when I was in high school or preparing for another chance after failing to enter college."

Mother Michi passed away in February last year. Mr. Ozawa says that he could not conceal his shock.

It is written in some school records that he did not particularly stand out during primary and middle school days, but he himself says that the reverse was the case.

"I was strong in a fistfight. I was an all-around athlete, enjoying all sports including track and field events. I was behind no one in study as well. Well, cracking a joke, I may have been the kind of guy called a prodigy at 10 and a mediocrity at 20. (laughter) I was of a nature to easily get absorbed in everything I do, including games and sports."

In passages telling of reading and movie-watching, which he said he liked best, Mr. Ozawa reveals the following side of his character:

"I read literary works one after another in the middle school days. I read Sachio Ito's *The Tomb of Wild Chrysanthemums*, and this book about a genuine love was so touching that I cried all night long. I had such days as well."

"Elizabeth Taylor was indeed pretty. She was slender unlike these days. There was also Vivien Leigh, who acted in *Gone With the Wind*. Rather than her too characteristic a look, I seem to like an actress with kind of a beautiful face."

He enjoyed reading the popular comic strip *The Wandering Cloud* together with his wife Kazuko whom he met and married at the recommendation of Mr. Kakuei Tanaka. He likens her to the wife of the hero in *The Wandering Cloud*.

"It was she who first liked to read it, and then I was dragged in. (passage omitted) I often call my wife 'Kame-san' [the wife of the comic strip's hero]. She is the kind of woman who is not beautiful, but quite kindhearted. (laughter) My wife says: 'A man will lose interest in a beautiful woman if he gazes at her for three days; he will get accustomed to a plain-looking woman if he lives together with her for three days. So you are all right with me.' Well, I too feel like agreeing with what she says."

He discloses that as a domestic service "I eat out together with my whole family once a week near my house." As to his three sons, he remarks: "I do not care what they will become because what they have are their own lives. They need not pay attention to their parents' faces."

He carries "about 50,000 or 60,000 yen" in his wallet, and his most pleasant pastimes are "golfing, traveling, and, perhaps, an evening drink."

However, he injured his back and so has utterly suspended playing golf for the time being. Touching on karaoke, he says that his favorite song is the *North-bound Train Nocturne* and that he is now learning the "boating song."

"After I Have Suffered From Illness, My Outlook on Life Changed"

His taste for small birds is quite famous.

"I now have paddy birds, Australian sparrows, canaries, pheasants, and dogs. I have plenty of them. They are indeed lovely. Birds are not quite wise, and so do not tame easily. Yet they gradually cease to flap their wings through repetition of the same daily contact. We can catch them soon after we release them in the hallway. They are easier to handle than humans." (laughter)

Concerning his heart disease, about which the mass media makes noise, he reveals that "after I have suffered from the disease, my outlook on life changed." He says:

"It is hard to explain, but I feel like withering. I may have become old. I wonder if I have lost the willpower to carry out things at any cost with tenacity. (passage omitted)

"I have done my best. From now on, I will live my life at my own pace."

Therefore, at present I never break my schedule. I do not attend meetings two or three hours before and after meals in the morning and in the daytime."

He goes on, even setting off a pathetic mood:

"In a sense, I believe that I have finished one job. A tide of the times has been formed. This flow cannot be stemmed by anyone. Even if I leave at this point, this flow will not stop. However, the longer the confusion lasts, the more damage the entire Japanese people will suffer. I would like to end the confusion as soon as possible. Therefore, we should keep working until the reform of the entire politics is completed."

The election is, of course, important to this end. He throws out his chest, stressing that though his party sustained a defeat in the Gifu by-election, it will unfailingly win in the coming general election.

"We will win without fail in the general election. I am not bluffing. Check each individual case. Every candidate of ours will win."

"I say this because each new candidate to run from now is the so-called conservative-affiliated person. If each person is a reliable good candidate, there is no doubt that he or she will seize at least half of the votes cast for conservatives. In general, 60 or 70 percent of the total votes are for conservatives. It is quite rare that those votes concentrate on one candidate. When two equally conservative candidates run, their supporters will naturally be divided according to their personal preferences regarding their candidates. Roughly speaking, the conservative votes are divided half and half between the LDP and our side. Adding to them are votes for former Komeito and the DSP. There is, therefore, no reason to be defeated."

Moreover, Mr. Ozawa denounces the argument that the small constituency system should be reviewed and he calls for social reform. It is only a very small part of the book that has been introduced herein, but will *Ichiro Ozawa Tells All* be able to change Japan, an "irresponsible giant?"

Japan: Panel Proposes Administrative Reform Plan to Hashimoto

OW1806142196 Tokyo KYODO in English
1333 GMT 18 Jun 96

[FBIS Transcribed Text] Tokyo, June 18 KYODO — A panel of the dominant ruling coalition member Liberal Democratic Party (LDP) recommended administrative streamlining plans Tuesday (18 June) to party head and Prime Minister Ryutaro Hashimoto.

The LDP squad on the promotion of administrative reform compiled its "Hashimoto vision" suggestions at the request of the premier.

The party plans to make the plans into battle cries in the LDP campaign in the next general election of the House of Representatives, to take place later this year or next, LDP Secretary General Koichi Kato said.

The team called for all state career bureaucrats, including diplomats, to be employed by the government, rather than by individual ministries and agencies as at present, and assigned to these departments as necessary by the government to reduce ministerial sectionalism.

Another suggestion was the drawing up of a new blueprint to reduce the government work force.

It also recommended the promotion of personnel exchanges between the government and the private sector, and efforts to keep the maximum rate of the Japanese people's swelling burden in terms of tax and social welfare payments at around 45 percent of their combined income compared with some 38 percent currently.

The government should compile concrete measures by December to reconstruct the state finances, which depend heavily on borrowing through bond issuance, according to the proposal.

The panel previously considered proposing more drastic measures to cut red tape but backed down following opposition from within the LDP.

The team had thought of such steps as separating the policy-drafting and implementing divisions of ministries and agencies to consolidate the government departments as well as splitting up the finance ministry in the wake of the bad-loan fiasco involving seven failed "jusen" housing loan companies, for which the ministry has largely been blamed.

Japan: Article Denies MSDF Transport Amphibious Assault Ship

OW1906010296 Tokyo SEKAI NO KANSEN
in Japanese Jul 96 pp 141-149

[Article by Board of Editors. Originally titled "Status of MSDF, MSA Ships in FY1995"]

[FBIS Summary] An article on developments in the construction of ships for the Maritime Self-Defense Force (MSDF) and Maritime Safety Agency (MSA) includes information on construction of a transport resembling a U.S. Navy amphibious assault ship.

Mitsui Engineering and Shipbuilding Co. is building at its Tamano shipyard an 8,900-ton transport ship for the MSDF. The company laid the keel in December 1995.

The ship, not yet named, has a scheduled launch date of December 1996. The MSDF is slated to commission it in March 1998.

The new ship is to replace the MSDF transport "Atsumi." With a through deck, the new transport "suggests a U.S. Navy amphibious assault ship." "However, there will be only one spot for helicopter takeoffs and landings. Considering that it will not have fixed-wing aircraft, its operation as an amphibious assault ship is apparently not being considered."

Unlike the "Atsumi," the new transport will have no bow ramp for beaching. Rather, the new ship will rely on its own helicopters and those from other ships as well as its own two air-cushion landing craft (LCAC) to put personnel and materiel ashore. A U.S. corporation is supplying the LCACs.

In responding to natural disasters and participating in peacekeeping operations, the new transport will be equipped to carry approximately 1,000 persons.

Japan: Mitsui Sets Up Communication Joint Venture in PRC

OW1906040596 Tokyo KYODO in English
0231 GMT 19 Jun 96

[FBIS Transcribed Text] Tokyo, June 19 KYODO — Mitsui and Co. has set up a communication engineering joint venture with China's second largest communications company group in Beijing, Mitsui officials said Wednesday (19 June).

The joint venture, named Beijing Mitsui-Unicom Communication Technologies Co., was established by Mitsui and a 99 percent-owned subsidiary of China United Telecommunications Corp., they said.

The joint venture's capital totals 840 million yen, most of which is owned by the major Japanese trading house, the officials said.

The deal will enable Mitsui to operate its consulting and procurement businesses nationwide in China because China United Telecommunications is now working toward digital mobile phone service in Beijing and three other large cities, they said.

China United Telecommunications has a plan to expand its business operations to 16 other major cities by the end of this year, according to the officials.

Japan: Local Government Measures To Support Venture Businesses

962A0047A Tokyo NIKKAN KOGYO SHIMBUN
in Japanese 13 Mar 96 p 39

[Unattributed Article: "Local Governments Throughout Japan Ready Measures To Support Venture Businesses; Key Features of FY96 Commercial-Industrial Policy"]

[FBIS Translated Text] Local governments throughout Japan have embarked on a unified move to support venture businesses. Their actions are based on the implementation of the Small Business Creation Activity Promotion Law (SBCAPL), reflect major goals incorporated in fiscal year 1996 local government commercial-industrial budgets in coordination with national government venture business promotion plans, and consist of actions to overcome stagnant regional economies resulting from industrial hollowing. However, problems do definitely exist in that basing the actions on national government plans has resulted in many local governments implementing identical plans, aside from the fact that there is an absence of a business evaluation system. We reviewed the actions taken in the various regions to see whether or not the support plans would lead to the creation of entrepreneurs.

Northeastern Region

In the northeastern corner of the country, we noted the creation of an emerging Northeastern Venture Land Movement aimed at a regional movement to convert the seven prefectures of the northeast to include Niigata into a "venture land." The "Northeastern Venture Land Conference," chaired by Akema Teruyuki, chairman of the Northeastern Federation of Economic Organizations, which was established in April 1995 ahead of the rest of the nation, has begun to move aggressively. When initially established, the conference was launched with a goal of achieving membership of about 2,000, but it currently has reached a membership of 1,073 as of 8 March with Administrative Bureau Chief Akira Onuki commenting, "Composition of membership reflects wide-ranging representation and continuing growth from the various prefectures." In February, the conference established an "Incentive Award System" and is in the process of issuing 1-million-yen grants to newly established conference member businesses with a challenging spirit. Initially, the program will cover nine businesses and open recruitment for eligible businesses will start at the end of March. Otherwise, "Northeastern Angel Partnership," organized in November of last year by three entrepreneurs headquartered in the northeast, completed its public canvassing of businesses to become potential investment targets. Selections of investment targets will

be made by a screening committee made up of conference members based on a field of five firms already qualified on the basis of their applications. Members of the Northeastern Angel Partnership are also members of the Northeastern Venture Land Conference, and the creation of regional angels [new small businesses] should provide increased impetus to the Northeastern Venture Land Movement.

Tokyo Region

In the Tokyo area, we see not only capital deposits and loan guarantees extended to venture capital firms, but local governments conspicuously engaged in the creation of activities peculiar to the Tokyo area. The Tokyo metropolitan government has established incubator facilities in the sub-metropolitan buildings in the port area, such as the Tokyo Fashion Town, and a Time-24 Building, to emphasize support to software and fashion venture businesses suitable for location in urban areas. Further, the Saitama prefectural government extends aid to graduate students with entrepreneurial ambitions because of the large number of science colleges located in that prefecture. The prefectural government makes arrangements for such students to use research laboratories and facilities in the universities without imposition of fees, provides support to graduate students with strong entrepreneurial ambitions, and contributes to the revitalization of the intraprefectural industry. On the other hand, the Saitama prefectural government also boosts its support in the area of human resources. The Small Business Techno-Expert Referral Project dispatches former employees and current employees of Chikuba University and private-sector firms to provide on-site guidance and know-how to businesses engaged in new business sectors. The project is designed to reinforce technological-planning guidance projects of the past, utilize "brains" from the research and academic environment in supporting venture businesses, and provide support in the area of software relative to planning and development. The giant metropolis of Tokyo offers conditions for growth to venture businesses to include many private-sector venture capital firms. That being the case, autonomous government bodies in the capital area must launch support plans with distinguishing characteristics, lest they get lost under the broad categorization of "Tokyo." It can be said that Ibaragi and Saitama prefectures display much enthusiasm for utilizing local resources because of such background factors, while there is a demand for individualistic venture business support plans on the part of capital area autonomous governments.

Chubu Region

Both Gifu and Toyama have launched Venture Business Support Projects which are exceptional on a nationwide basis and peculiar to those two prefectures. Gifu prefecture will develop venture businesses through indirect investments via venture capital firms and a new format in the way of an Investment Projects Association seeded by funds made available from a separate prefectural budget. Toyama prefecture will use the results obtained from the conduct of independent research by its Prefectural Industrial Technology Center to recruit firms to participate in a partnership role for the conduct of joint research and development to commercialize candidate products.

Gifu prefecture's Investment Project Association format involves the use of the prefectural budget of 3 billion yen to issue no-interest loans to the Prefectural Small Business Promotion Public Corporation which in turn involves recruitment of intraprefectural venture capital firms, other intraprefectural firms, and individuals to form an Investment Project Association. The association will be used to make investments in venture businesses. Venture businesses may also join the association to serve as executive members. This particular format involves investments by private-sector firms and involves the critical factor whereby future sales of stock of venture firms by the association could result in the distribution of profits to association member firms. This being the case, emphasis will be placed on investing in venture businesses with the potential for future public stock offerings.

A project undertaken by Toyama is called, "Venture Business Creation Support Research Project." This system calls for the use of research and development assets, such as patents obtained by the Prefectural Industrial Technology Center, in building venture businesses. The prefecture will take the initiative in offering projects which were developed by the Industrial Technology Center and deemed to be commercially feasible for joint commercialization with businesses. The prefecture will subsidize one-half of the direct costs for research and development.

Kinki Region

Venture business support plans sponsored by the Kinki regional autonomous governments were highly diversified. The plans are characterized by the fact that they were positioned as commercial-industrial planning issues of the highest priority as to cope with industrial hollowing and to promote industrial revitalization. Osaka will establish a full-scale industrial incubation facility in the Industrial Technology General Research Center to

open in April. Further, Osaka will provide for integrated venture business support including collaboration with five financial institutions to establish a 2 billion yen venture business fund to strengthen its loan systems, new industry-creation support loans limited to 200 million yen and matching loans, and schools for training new entrepreneurs. In the near future, Osaka will establish a New Industry Development Division to specialize in the development of venture businesses and new industries, staffed by about 20 employees. Hyogo prefecture has established a "New Industry Creation Capital System" with a primary goal of dealing with earthquake recovery projects. It will supply funding to businesses which handle projects aimed at industrial recovery. Hyogo Prefectural Small Business Promotion Public Corporation will handle stock investments and industrial bond underwritings. The public corporation's limit on individual company loans is 10 million yen, but it can handle investments and loans up to 200 million yen by making concurrent use of an indirect venture capital system applicable to Creative Small Business Creation Support Projects. It has also established a "Women's Entrepreneur's Support System" which underwrites venture capital stock. Kyoto has attracted aggressive investment by private-sector venture capital for Venture Business Creation Support Projects and has taken action to boost investments in newly emerging venture businesses. It is also accelerating actions as a prefecture assuming leadership in moves to implement integrated venture business support systems sponsored jointly by the industrial-government-academic sectors.

Chugoku and Shikoku Regions

Each prefecture in the area has emphasized commercial-industrial budgets designed to support development plans for venture businesses. Such budgets are used primarily to support venture capital and investments, capital trusts, and low-interest loans handled through satellite organizations, but some activities involve the establishment of hard facilities such as industrial parks designed for venture businesses. Further, some autonomous governments place emphasis on entrepreneurial support, as well as development, but the nature of the support is diversified. Each prefectural government is engaged in an effort to establish individuality. Prefectures located along the Seto Inland Sea give priority to "large-scale industry" and are in the process of launching numerous newly established businesses in the venture business format as a trump card in achieving industrial restructuring. On the other hand, the San'in and areas facing the Pacific are conspicuous for their plans to encourage the establishment of businesses engaged in research and development as an effort to stem the outflow of brain power. However, at issue is the short-

age of funds. A decline in prefectural tax revenues is a common problem among all prefectures. "The fiscal environment reflects an emergency situation," as stated by Hiroshima Governor Yuzan Fujita is reflective of the real situation. Hiroshima was barely able to compile a budget, through actions such as increasing local government bond sales, dipping into certain funds, and savings realized by revising continuing projects. Needless to say, the commercial-industrial budget was subjected to the same process. Yamaguchi and Tokushima prefectures have venture business investment funds in the amount of 4 and 3 billion yen, respectively, but other autonomous government funds have dropped to a level where they must seek relief through supplemental budgets.

Kyushu-Yamaguchi

Autonomous governments of Kyushu and Yamaguchi regions also list support of venture businesses as primary commercial-industrial projects and emphasize development of entrepreneurs. During fiscal year 1996, they will use funds to enhance the status of small business organizations to launch "Prefectural Venture Business Foundations" in support of Creative Small Business Creation Projects. The project was first initiated in fiscal year 1995 in Fukuoka and Kagoshima, while other prefectures in the region plan to establish venture funds and engage in support projects beginning in early fiscal year 1996. Among autonomous government venture support projects, Kumamoto prefecture has established a unique foundation which is the focus of nationwide attention. The prefecture and three private-sector firms joined together to establish the "Kumamoto Prefectural Entrepreneurial Support Center (abbreviated designation: BACK-UP) in January, which just started to operate in February. Thus, BACK-UP has just started studies on the introduction of creative small business support projects, leaving the prospect that such projects will be launched by the foundation in fiscal year 1996. The prefectural venture business foundations engage in indirect investments, loan guarantees, and direct investments via venture capital, but they must also engage in regional projects lacking local venture capital. It appears they may establish venture capital activities in Yamaguchi, Miyazaki, and Oita. On the other hand, as projects peculiar to each prefecture, they will engage in low-interest loan activities, while Fukuoka prefecture will establish an "Intelligence Property Rights Center" in the Invention Association's Fukuoka prefectural chapter for the purpose of aiding small business research and development and entrepreneurial efforts. Moreover, Nagasaki is noteworthy for establishing creative projects such as "Rise to the Occasion! Modern-Day Clover [name as transliterated—Legendary European who made a histor-

ical contribution to the development of Nagasaki City in the early Meiji Era.)," to support businesses launched by individuals returning to Nagasaki for resettlement.

Principal Autonomous Government Venture Business Support Plans

1. Hokkaido. Construction of Entrepreneurial Support System. Will provide for 16 million yen in total funding to provide business initiation funding support amounting to one-half of initial capital requirements with a limit of 5 million yen per venture.

2. Aomori. Creative Entrepreneurial Support Foundation. Will establish foundation to play central role in development of venture businesses. Operating budget will total 2.175 billion yen. Target date for establishment is autumn.

3. Akita. Establishment of Fund To Provide Loan Guarantees. Prefecture will establish 1.2-billion-yen fund. Will extend venture business funding support by placing deposits with venture capital investment funding sources and by guaranteeing loans made by venture capital firms to venture businesses which fail.

4. Iwate. New Industry Creation Support Projects. Will provide two-pronged support covering investment and loans. Investment systems used will include direct investments and indirect investments through deposit of investment funds with private-sector venture capital firms. Investment ceiling for both approaches combined will be 110 million yen.

5. Yamagata. Prefectural Business Promotion Public Corporation. Original investment will total 1 billion yen, while funds managed will total 4 billion yen. Funding to be deposited with venture capital firms will be 1 percent for special deposits and 1.5 percent for ordinary deposits.

6. Miyagi. Prefectural Business Promotion Association. Prefecture will loan 200 million yen to the Prefectural Promotion Public Corporation on a no-interest basis, and the Prefectural Business Promotion Association will make direct loans to venture businesses or make indirect loans via venture capital businesses or guarantee loans.

7. Ibaragi. Investment and Loan System. Will provide loans without collateral and guarantor. Joint loans will be made through local financial institutions under a 500-million-yen overall ceiling, of which the prefecture will furnish one-third. Loans will be issued under this arrangement and indirect investment format.

8. Tochigi. Prefectural Venture Capital and Loan expansion. Total funding will be increased to 1.64 billion yen by adding 800 million yen in capital, and provision will be made for 410 million yen in investment funds. Also,

a new businessmen's support fund will be established to provide for prefectural loans when initiating a new business.

9. Gumma. Deposits With Private-Sector Venture Capital Firms. Will engage in deposit of investment funds with private-sector venture capital firms and the provision of loan guarantees. Will operate primarily through Prefectural Small Business Promotion Public Corporation with capital resources of 800 million yen and investment resources of 200 million yen.

10. Saitama. Preincubator Initiation Project. Prefecture will target postgraduate students in the sciences with entrepreneurial spirit and superior ideas to provide university research facilities and equipment for two years on a no-fee basis. Will also support product development and launching of new venture firms.

11. Tokyo. Base for Entrepreneurial Activities. Will provide incubator-start-up facilities targeting fashion industries and creative information industries in the Tokyo Fashion Town and Time 24 buildings located in the metropolitan subcenter in Tokyo Harbor.

12. Kanagawa. Entrepreneurial Support Center. Will provide venture capital firm loan guarantees through the Kanagawa Capital Fund with 5 billion yen in capital resources. Will provide information via "Kanagawa New Venture Creation Auditions" and the Internet which will serve as vehicles for introducing venture businesses to venture capital firms.

13. Chiba. Development Fund. The Prefectural Industrial Technical Center will make low-interest loans to provide for investment capital to private-sector venture capital firms which will handle small business industrial bond underwritings and stock investments. Of 1.1 billion in assets, will use 1 billion yen for coverage of operating profit and loss risk, and 100 million yen for investment purposes.

14. Yamanashi. Venture Capital Deposit And Loan Guarantee. The prefecture will loan 1 billion yen to a foundation called "Yamanashi 21st Century Industrial Development System" on a no-interest basis, deposit 100 million yen in a private-sector venture capital firm as an indirect investment, and establish an 800-million-yen fund to provide 70 percent loan guarantees.

15. Niigata. Direct Investment. Will operate as a principal of the Prefectural Small Business Promotion Public Corporation which will invest in about eight firms. Will give priority to firms certified under the Small Business Creation Law and businesses less than seven years old.

16. Nagano. Creativity Support Center. The center will be built in the Prefectural Precision Industry Testing

Center at a cost of 290 million yen and 10 rooms will be offered for use by research and development firms less than five years old at a low fee. Such firms will be offered technical guidance and use of equipment in the center.

17. Aichi. Indirect and Direct Investment. Will provide indirect investments through venture capital firms via the Prefectural Small Business Promotion Public Corporation and direct investment in venture businesses.

18. Gifu. Investment Projects Association. The prefecture will invest three billion yen in the Prefectural Small Business Promotion Public Corporation on a no-interest basis and the public corporation will invest in an investment association composed of three prefectural venture capital firms. This format will be combined with an indirect investment format.

19. Mie. Creative Small Business Support Projects. Prefecture will contribute 1.5 billion yen. Prefectural Small Business Promotion Public Corporation will serve as intermediary in providing indirect investment loan guarantees. Consideration will be given to organizing three local banks into a venture capital syndicate.

20. Toyama. Venture Business Creation Support Research Project. Will offer results of patents won through independent research by the Prefectural Industrial Technology Center, seek participation by private-sector firms, and proceed with joint research aimed at commercialization and entrepreneurial goals. Prefecture will absorb 50 percent of research costs.

21. Ishikawa. Financial Support. Will extend financial support for establishment of new businesses and expansion into new areas. Will provide no-collateral, low-interest loans, and direct and indirect investments.

22. Fukui. Indirect Venture Capital. Will supply loan capital to local bank-affiliated venture capital firms, and guarantee 70 percent of loans made to venture capital firms. In June of last year, launched operations ahead of the central government, but recently doubled overall loan ceiling and individual business loan limit.

23. Shiga. Establishment of Environment For Capital And Technology Aid. Will establish support environment for creation and development of new industries in the high-tech, environmental, health, and welfare sectors. Expand funding for New Industry Creation Promotion Funds and New Business Initiation Funding new loan ceilings to 2 billion yen and 360 million yen, respectively.

24. Kyoto. Venture Business Creation Support. Will arrange for an active source of capital for venture businesses by offering low-interest, long-term investment

capital and providing 70-percent loan guarantees in connection with industrial bond underwritings to private-sector venture capital firms.

25. Osaka. Integrated Business Venture Support. Affiliate with financial institutions and establish venture business loan support systems. Expand indirect venture capital firms associated with Prefectural Research and Development Business Promotion Foundation. Implement business matching and New Industry Technology Research Center incubator projects.

26. Hyogo. Industry Recovery Capital System. Will invest a maximum of 200 million yen annually in businesses which engage in projects which contribute to the recovery of industry in the quake area regardless of size. Will establish an investment support system targeting female entrepreneurs for a maximum amount of 10 million yen per business.

27. Nara. Affiliation With Private-Sector Venture Capital Firm. Will invest 500 million yen in Venture Business Creation Support Projects. Will create a screening council jointly with the Prefectural Small Business Promotion Public Corporation and operate entrepreneur training schools. The public corporation will deposit capital with private-sector venture capital firms and engage in indirect investments. Undertake stock underwritings and direct investments.

28. Wakayama. Small Business Creation Support Project. Will indirectly invest in businesses and organizations engaged in research and development projects certified by the prefecture under the Small Business Creation law. Budget ceiling for program is 500 million yen.

29. Okayama. Direct Investment. Will establish a venture capital system to directly invest in entrepreneurs through the Prefectural New Technology Promotion Foundation. Aside from acquiring common stock, will underwrite convertible industrial bonds and industrial bonds with warrants to acquire new stock. Capital resources will total 50 million yen.

30. Hiroshima. Investment Project Association. Will establish a Public Investment Project Association on a joint investment basis with private-sector venture capital firms for the purpose of promoting investments in venture businesses. Also, will utilize additional format of depositing funding in private-sector venture capital firms which is a central government system.

31. Kagawa. Capital Deposits With Private-Sector Venture Capital Firm. Will engage in projects such as investment support projects involving deposit of capital with private-sector venture capital firms, requirement surveys preliminary to construction of rental factory

parks, operation of a training system for businesses that dispatch small business analysts, and training of intelligence property advisers.

32. Tokushima. Rental Factories. Will establish an investment fund in the amount of 3 billion yen targeted at venture businesses under the Prefectural Small Business Promotion Public Corporation, along with entrepreneur support facilities and an equipment project offering rental factories, and extending aid from both capital and facilities standpoints.

33. Kochi. Prefectural Industry Enhancement Support Foundation. The prefecture will collaborate with the municipalities in establishing a Prefectural Industry Enhancement Support Foundation. The foundation will work with private-sector venture capital firms in developing investments in the amount of 120 million yen for investment and loan funding and 480 million yen in capitalization for the fund using stock and bonds in venture businesses as collateral for business development purposes.

34. Ehime. Small Business Creation Law. The Ehime Technopolis Foundation will supply capital to private sector venture capital firms and venture capital firms will invest through purchase of stock or guarantee loans to businesses certified under the Small Business Creation Law.

35. Yamaguchi. Industry Technology Development System. Will expand the functions of the Prefectural Industry Technology Development Foundation and establish a new venture capital fund in the foundation. Will capitalize the fund at 3.2 billion yen, and make investment capital available at an annual pace of 800 million yen. Projects will be initiated from April.

36. Fukuoka. Fukuoka Venture Business Development Support Project. Will expand the functions of the Prefectural Industry Technology Development Foundation and establish a new venture capital fund in the foundation. Will launch the Fukuoka Venture Development Support Project in fiscal year 1995. Will capitalize the fund at 2 billion yen and make investment capital available at an annual pace of 500 million yen.

37. Saga. Regional Industry Support Center. Will integrate the Prefectural Small Business Promotion Public Corporation and the Prefectural Industry Technology Development Center to form the Prefectural Regional Industry Support Center to serve as the venture business support promotion entity. Will add new functions, such as establishment of hard facilities such as incubator facilities for the creation of new businesses and indirect investment operations based on loans. Will capitalize

fund at 200 million yen and make investment capital available at an annual pace of 50 million yen.

38. Nagasaki. Venture Business Fund. Will utilize Small Business Organization Enhancement Funds and establish by fiscal year 1996 a "Creative Small Business Creation Support Fund (abbreviated title: Venture Fund)." Principal manager role will be played by the Nagasaki Technopolis Foundation. Will capitalize the fund at 800 million yen and make investment capital; available at an annual pace of 200 million yen.

39. Kumamoto. Entrepreneurial Support Center. Will establish in January and commence operations in February of the Prefectural Entrepreneurial Support Center (abbreviated title: BACK-UP) with the participation of the prefecture and three private-sector firms. Basic capital will consist of 1.002 billion yen and invested capital of 770 million yen for a combined total of 1.772 billion yen. Operations will be characterized by investments involving the underwriting of stock and convertible bonds. Investments per case will be limited to 10 million yen.

40. Oita. Venture Business Foundation. The Prefectural Regional Technology Promotion Foundation and the Prefectural High Technology Development and Research Center will be merged in April to form the Venture Business Foundation and engage in support projects. The fund will be capitalized at 400 million yen, and make annual investment capital available at the annual rate of 100 million yen.

41. Miyazaki. Venture Business Development Fund. Will expand functions of the Prefectural Industry Technology Information Center as a new project in fiscal year 1996 and will establish a venture capital fund in the foundation. A Prefectural Venture Business Development Fund will commence operation in May or June. The fund will be capitalized at 800 million yen and annual investment capital will be made available at the rate of 200 million yen.

42. Kagoshima. Creative Small Business Creation Support Fund. Functions of the Prefectural Industry Development Foundation will be expanded and a new venture capital fund will be established in the foundation. The "Creative Small Business Creation Support Fund" will be launched in March. The fund will be capitalized at 1.46 billion yen and investment capital made available at the annual rate of about 370 billion yen.

Japan: New Honda Electric Vehicle Reviewed
OW1906041796 Tokyo JIDOSHA KOGAKU
in Japanese Jul 96 pp 20-22

[Article by Yasuzo Kanno]

[FBIS Translated Text] Japanese automakers are moving to develop electric vehicles in response to the State of California's zero emission vehicle [ZEV] regulations.

Honda Motor Co. has unveiled an electric vehicle [EV] completely designed exclusively as an EV, whereas other companies have developed EVs based on existing automobiles. We had an opportunity to test-drive Honda's EV, if for a short time.

Packaging

The Honda EV is a four-seat, three-door hatchback, measuring 4,045 millimeters (mm) in length, 1,750 mm in width, and 1,630 mm in height. The wheelbase is 2,530 mm. The cabin space and the motor housing are completely separated. The floor is high and flat, as the motor and major high-voltage electrical components are located in the front part of the vehicle to ensure high utility of the cabin.

In order to realize a low center of gravity, batteries are mounted beneath the floor in a single pack, which also facilitates servicing. The EV adopts the front-engine, front-wheel-drive configuration that features high space efficiency.

Motor and Batteries

The motor is a three-phase direct-current (DC) brushless motor developed by Honda. It generates 49 kilowatts in the engine speed range of 1,700 to 8,750 revolutions per minute (rpm) and 275 Nm of torque at 1,700 rpm. Power is transmitted to the front wheels via final reduction gear with a ratio of 7.446 installed on the output side, and the vehicle has no gears. The motor weighs 68 kilograms (kg).

Rare earth magnets are used for permanent magnets, the major parts of the motor. High energy efficiency of up to 96 percent has been achieved by the optimum designing of the rotor and stator.

Above the motor unit is a large case for the power control unit. It houses the motor controller, junction board, on-board charger, DC/DC converter, air conditioner inverter, motor electrical control unit (ECU) and management ECU.

The vehicle is all water-cooled. Unlike the air-cooling system that cools the power plant separately, water cooling requires only one cooling system, resulting in

a compact package and making centralized control of heat generating units possible.

The 24 batteries, sealed nickel-metal hydride batteries made by Matsushita Battery Industrial Co., are housed in a case under the floor. The one-piece case is attached to the inside of the body's straight frame from below with eight bolts. The battery unit, including the case, weighs 500 kg. The vehicle can run 210 km per charge in the 10/15 driving mode.

The nickel-metal hydride battery features higher energy density compared with conventional sealed lead-acid batteries and lasts about four times as long. These characteristics contribute to improving the driving range and acceleration. The Honda EV's batteries last five to eight years.

The on-board charging system is an alternating current 100/200-volt (V) model that can be used widely as it can use household 100 V electricity. It takes eight hours to charge the batteries, using 200 volts.

Chassis

The suspension employs McPherson struts for the front and the axle type for the rear.

The major issue for EVs is extending the driving range per charge as long as possible. To this end, the Honda EV employs a regenerative brake system and newly developed dedicated-use tires with low rolling resistance.

The regenerative brake system converts kinetic energy of the vehicle at the time of braking into electrical energy. The tires have rolling resistance 57 percent lower than conventional tires, thanks to their light weight, compounds with very low rolling resistance and high pressure of 3.0 kg/square centimeter (cm).

Test Driving

The vehicle starts smoothly. The motor is so quiet that you can hear tire noise. Acceleration from standing to 80 km per hour was 11.9 seconds as measured by a stop watch.

As front/rear weight distribution is close to ideal, at 55 to 45, the vehicle shows straight steering characteristics at cornering. Pitching during acceleration and deceleration is curbed well, resulting in good driving characteristics.

As the seating position is about 20 cm higher than conventional cars, the driver can clearly view the position of the front end. The Honda EV is closer to a wagon-type sport-utility vehicle than to a passenger car. The driving operation is similar to an ordinary automatic

transmission vehicle. After turning the ignition key, shift the selector lever from P to D, release the parking brake and step on the accelerator pedal.

The only thing that bothered the writer was that the floor is high. It gives an impression that you are climbing into a one-box van rather than a passenger car. If the floor height is lowered by 120-150 mm, getting on and off the EV should become much easier.

The Honda EV will become available for leasing in the United States in the spring of 1997.

Japan: Health Minister Admits Mistake in HIV Scandal

OW1806135196 Tokyo KYODO in English
1259 GMT 18 Jun 96

[FBIS Transcribed Text] Tokyo, June 18 KYODO — Health and Welfare Minister Naoto Kan admitted Tuesday [18 June] that his ministry made an error in judgment in failing to remove unheated blood products from the market in the early 1980s which have been blamed for mass HIV infection among Japanese hemophiliacs.

Kan told a House of Representatives committee session that the Health and Welfare Ministry should have taken steps to remove the untreated blood coagulants when it was confirmed a sufficient amount of safe heated products was available.

No significant new information on the HIV scandal, however, was disclosed during the day's Health and Welfare Committee session.

Committee Chairman Sadao Wada said seven important mysteries concerning the mammoth scandal remain unsolved, adding that the panel will continue to discuss the issue even after the current Diet session ends Wednesday.

Kan said last week that he plans to set up an independent panel of individuals who do not belong to the ministry to look into the scandal relating to the ministry's anti-aids policy in the 1980s.

The new panel is to investigate "objectively" why Japan failed to prevent widespread HIV infection among hemophiliacs, and will devise measures to avoid similar situations in the future, he said.

The ministry has been criticized for its decision in 1983 not to ban the use of unheated blood coagulants, which led to the HIV infection of nearly 2,000 of the approximately 4,500 hemophiliacs in Japan and an unknown number of nonhemophiliac patients who were administered the products.

A ministry task force that Kan set up in January has been investigating the scandal, but critics say the group

is not functioning well because its members are having to question present or former colleagues.

North Korea

DPRK: Kim Ki-nam Addresses Meeting on Kim Chong-il

SK1906062896 Pyongyang Korean Central
Broadcasting Network in Korean
0904 GMT 18 Jun 96

["Commemorative report" by Kim Ki-nam, secretary of the Workers Party of Korea Central Committee, at a central report meeting held at the April 25 House of Culture marking the 32d anniversary of Kim Chong-il beginning his work with the party Central Committee — live]

[FBIS Translated Text] Comrades:

Today, in an environment where all the people throughout the country are vigorously carrying out the struggle to protect, defend, and glorify our own style of socialism, while upholding the red flag, we meaningfully greet the 32d anniversary of the great leader [yondoja] Comrade Kim Chong-il beginning work with the party Central Committee.

The respected and beloved Comrade Kim Chong-il [kyongaehanun Kim Chong-il tongji], who had set out on revolutionary activities in his early years with the great intent to consummate the chuche revolutionary cause pioneered by the great leader [suryong] Comrade Kim Chong-il, began his brilliant guidance to lead the cause of chuche party construction within the party Central Committee, the supreme General Staff of our revolution, on 19 June 1964. This was an event of historic significance in the struggle to strengthen and develop our party, as well as in the struggle to succeed and complete the chuche socialist cause. [applause]

Greeting this meaningful day, all party members and people are overwhelmed with the great joy and happiness in that they uphold the great leader [yongdoja] at the top of the party and the revolution, being blessed with great leaders [suryong] for generation after generation. They are also filled with the fervent resolution to complete to the last the chuche revolutionary cause by faithfully upholding the leadership of the respected and beloved general.

Brothers:

The respected and beloved Comrade Kim Chong-il is the great leader [yongdoja] of our party and people who has accumulated immortal achievements before the fatherland and the people with his wise and overall

leadership of the chuche party, the army, and the cause of socialist construction for a long period of time, and who is absolutely supported and trusted by the entire party, the entire Army, and all the people. [applause]

The leader [yongdoja], who has led the cause of independence and the socialist cause of the popular masses, holds absolute authority among the people and wins the great respect and confidence of the people, not because someone else brought him up, but because of his history in the revolutionary struggle and his achievements registered in the course of that struggle.

Comrade Kim Chong-il, the great successor to the chuche revolutionary cause and the sagacious leader [yongmyonghan yongdoja] of our party and people, wins the boundless respect and confidence of all party members and people because he has devotedly carried out the struggle for the victory of our people's revolutionary cause, the socialist cause, doing so without sleep or rest for a long time, and has made immortal achievements during the struggle. [applause]

The history of the respected and beloved Comrade Kim Chong-il's leadership of the party and the revolution is over 30 years long. There have been many leaders in history who led the revolution while being supported by the people. However, there has been no such outstanding leader [yongdoja] as our respected and beloved Comrade Kim Chong-il who, in his fifties, has already embroidered his leadership history for as many as some 30 years. [applause]

Assisting the great leader [suryongnim] long before he began to work at the party Central Committee, the respected and beloved Comrade Kim Chong-il traveled everywhere in the country to give on-the-spot guidance, and has energetically led the overall work of socialist construction. After the respected and beloved Comrade Kim Chong-il began to exercise his leadership, greater changes were made, not only in party work but in work in such sectors as political, economic, cultural, and military sectors, and new innovations and upsurges were effected in all fronts of socialist construction. [applause]

The greatness of Comrade Kim Chong-il as an outstanding leader [yongdoja] of the party and the revolution was clearly demonstrated during the difficult time in our 5,000-year national history when our people were in great mourning following the sudden death of the fatherly leader [suryongnim].

Considering it his lifelong cause to succeed and complete the great leader's [suryongnim] revolutionary cause, the respected and beloved Comrade Kim Chong-il set the greatest example of loyalty and filial piety by upholding the leader [suryong] and his cause from the

beginning of his leadership of the party and the revolution. When all the people were boundlessly depressed after losing the fatherly leader [suryongnim], he presented the slogans of faith, "The great leader [suryong] Comrade Kim Il-song is with us forever" and "Let us more thoroughly arm ourselves with the revolutionary idea of the great leader Comrade Kim Il-song," and vigorously aroused the entire party, the entire Army, and all the people to carry out the struggle to implement the teachings left by the leader [suryongnim].

The respected and beloved Comrade Kim Chong-il majestically garnished the Kumsusan Memorial Palace as the greatest national treasure of the Kim Il-song people and as the foremost sacred place of chuche, and courteously enshrined there the great leader [suryongnim], the progenitor of socialist Korea, in a state as if he were alive. By doing so, he led the entire party, the entire Army, and all the people to the lofty moral world where the great Comrade Kim Il-song is eternally upheld as the eternal leader [suryong] of our revolution and as the sun of chuche. This shows in the most impressive way what a high level is reached in the respected and beloved Comrade Kim Chong-il's loyalty and filial devotion to the fatherly leader [suryongnim]. [applause]

Indeed, the respected and beloved Comrade Kim Chong-il has most faithfully upheld the great leader's [suryongnim] cause while leading the chuche revolutionary cause. With his outstanding ideas and theories as well as his extraordinary leadership, he has also led our party and revolution along the single road of continuous victories during all stages and phases of the developing revolution. [applause]

The past some 30 years, in which the respected and beloved Comrade Kim Chong-il led the party's work, was the most difficult time in the history of our party and revolution, being full of trials. When imperialists and reactionaries more viciously than ever assumed an anti-people offensive to ruin and destroy socialism from the inside, highfliers [yasimga] and conspirators [ummoga] appeared within the international communist movement to try to annihilate the leader's [suryong] achievements and destroy the gains of socialism, creating a hurricane of revisionism. In particular, in recent years many countries faced the tragic situation in which socialism collapsed and capitalism was restored. As a result, our party has come to have the heavy and responsible duty of smashing all challenges as well as all isolating and crushing [apsal] maneuvers of the imperialists and reactionaries so as to protect and defend the country's sovereignty and our own style of socialism as well as to revive, strengthen, and develop the worldwide socialist movement.

In that complicated, arduous, and rapidly changing time of crisis that concerned the existence of the party and the revolution as well as the destiny of socialism, the respected and beloved Comrade Kim Chong-il led the party's work while upholding the great leader's [suryongnim] lofty intent. By doing so, he strengthened and developed our party, an invincible leading political body, and firmly hardened the main body of our revolution to save the revolution from crisis and achieve today's brilliant victory by accelerating socialist construction and the cause of the fatherland's reunification, and by consolidating our unity with the revolutionary forces of the world.

Herein lies the great historic achievements for the fatherland, the people, the times, and the revolution accumulated by the respected and beloved Comrade Kim Chong-il [kyongaehanun kimjongil tongji] in leading our party at the fore. [applause]

In leading our party, the respected and beloved Comrade Kim Chong-il has defended, safeguarded, and endlessly deepened and developed the revolutionary ideology of the great leader [suryongnim], brightly illuminating the future of the party and the revolution. By doing so, he excellently fulfilled his mission as the leader [yongdoja] of the party and as the successor of the leader [suryong]. [applause]

The respected and beloved Comrade Kim Chong-il is an extraordinary ideologist and theorist, and an outstanding philosopher-style great man. For a long time, he has carried out energetic ideological and theoretical activities with his outstanding wisdom and extraordinary research ability. He glorified the great leader's [widaehan suryongnim] revolutionary ideology as the great guiding ideology of the era of independence. He gave perfect scientific and theoretical answers to all the questions newly raised by the times and the revolution.

When people of many countries lost faith in socialism amid international crises and confusion, the respected and beloved Comrade Kim Chong-il published "Socialism Cannot be Obstructed," "Socialism is a Science," and other classical works. He emphatically demonstrated the justification, vitality, and invincibility of socialism as a science, and brightly lighted the future of the struggle to revive socialism.

In his work "On Basic Questions Arising In Building a Revolutionary Party," "Giving Priority to Ideological Work Is Imperative to Implementing the Socialist Cause," "Respecting Revolutionary Seniors Is a Lofty Moral Obligation of Revolutionists," and many other classical works, the respected and beloved Comrade Kim Chong-il gave new and perfect explanations

to questions never mentioned in previous revolutionary theories on the working class. Through the works, he pioneered a new horizon for building a revolutionary party, a country for the working class, and a communist morality, and boundlessly developed and enriched the *chuche* idea.

The respected and beloved Comrade Kim Chong-il elucidated and gave profound new theories on urgent questions of theory and actual practice raised by today's international situation and by the development of the revolution. Indeed, his works are a bright beacon and programmatic guidance that enable our party and people to inherit and complete the *chuche* revolutionary cause. They are a mighty ideological and theoretical weapon and immortal militant banner that firmly lead the socialist movement of our times and mankind's cause for independence to the road of victory. [applause]

Leading the cause of building our party, the respected and beloved Comrade Kim Chong-il constantly exerted painstaking efforts to make our party adhere to its inherent nature as a *chuche*-based revolutionary party founded and led by the great leader [widaehan suryong] Comrade Kim Il-song, and fulfill the mission as a political weapon to implement the ideology and leadership of the leader [suryong]. Our party was founded, strengthened, and developed by the great leader [suryong]. From the first day of its founding, our party was originally supposed to uphold the party-building banner of the leader [suryong], and accelerate and assimilate the party ranks into the *chuche* idea. However, due to our party's history, which is full of trials, and due to domestic and international conditions for carrying out party activities, the leader's [suryong] task of party building was not given proper priority. This basic question in our party building was brilliantly solved when the respected and beloved Comrade Kim Chong-il stood at the vanguard of our party and led party building and party activities to the single road of *chuche*. [applause]

Out of the steadfast faith that our party should be Comrade Kim Il-song's party, called with the esteemed name of the great leader [suryongnim] in light of the background of its founding as well as its revolutionary traditions and the course of its development, the respected and beloved Comrade Kim Chong-il raised the matter of building the leader's [suryong] party for the first time in the history of working-class party construction, and he has led the struggle to settle the matter at the start.

Based on a scientific analysis of historical lessons of working-class party construction and the actual status of the worldwide communist movement, the respected and beloved Comrade Kim Chong-il elucidated the general principles for party construction on remodeling the

entire party after the *chuche* idea, and he has wisely led the struggle to establish the party's unitary system in the entire party, so that our party could be strengthened and developed into the *chuche* party that invariably adheres to its revolutionary nature as the leader's [suryong] party and carries out all works in the great leader's [suryongnim] style.

Our party has strengthened blood relations with the popular masses and achieved single-hearted unity between the entire party and the entire society; this is an immortal outstanding achievement registered by the great leader [yongdoja] Comrade Kim Chong-il in the course of implementing the party construction cause while leading our party. [applause]

Because the respected and beloved Comrade Kim Chong-il has brilliantly implemented the *chuche* party construction line with his outstanding ideas and energetic leadership, our party is demonstrating its majestic appearance as a living organic body that firmly guarantees uniformity in idea and leadership in all fields of party activities, and in which the entire party acts as one based on iron-tight discipline and a revolutionary sense of organization; as an invincible party that has achieved perfect unity between the party and the popular masses; and as a mature, seasoned, and prosperous party. [applause]

Considering it a general mission of our revolution to remodel the entire society after the *chuche* idea, the respected and beloved Comrade Kim Chong-il aroused the entire party, entire Army, and all the people to implement the great leader's [suryongnim] ideas and intents most brilliantly by vigorously carrying out three revolutions — ideological, technological, and cultural — in every stage and every phase.

With the firm will to most brilliantly implement what the great leader [suryongnim] wished and intended to accomplish, no matter what difficult and burdensome tasks they are, the respected and beloved Comrade Kim Chong-il organized and mobilized all party members and people to carry out the great socialist construction in a big way and at lightning speed, thus making it possible to constantly create innovations and leaps forward in all sectors.

We cannot think of the 70-Day Battle or the 200-Day Battle, as well as the movement to create the speed of the eighties and the speed of the general onward march of socialism of our own style, which embellished our country's 1970's, 1980's, and 1990's with ceaseless advance and innovations, without thinking of the respected and beloved general's noble loyalty and sublime intent to implement the great leader's [suryongnim] idea on socialist economic construction in the most brilliant way

and have our country demonstrate its majestic appearance as a socialist power that is independent, self-reliant, and self-defensive.

Many monumental creations that glorify the epochal changes made in our fatherland in recent decades and in the Workers Party era deeply bear the sublime leadership of Comrade Kim Chong-il, who vigorously roused the entire party and all the people to the struggle to implement the leader's [suryongnim] wishes in the most brilliant way, considering it his invariable maxim to devote everything to pleasing and satisfying the great leader [suryongnim]. [applause]

In leading our party, the great leader [yongdoja] Comrade Kim Chong-il has elucidated the outstanding ideology that when the party is powerful, the Army is strong, and the youth league is strong there is no task that cannot be carried out, and we can win a victory in the fight against any strong enemy. Thus he has wisely led the work of strengthening the People's Army and the youth league under the party's leadership in every period and every phase of the developing revolution.

The respected and beloved comrade supreme commander presented a unique army building program to model the Army after the *chuche* idea, and he has seen to it that under this army building program political and ideological indoctrination work is vigorously carried in the People's Army so that a military command system, in which the entire Army moves as one under the party's unitary leadership, can be thoroughly established. He has also seen to it that the arms and equipment of the People's Army are constantly strengthened so that its combat capabilities can become invincible.

In recent years alone the respected and beloved comrade supreme commander, who trusts and identifies the People's Army as the core unit in consummating the *chuche* revolutionary cause, has invested great zeal and energies in strengthening our revolutionary armed forces by all means to cope with the anti-Republic and antisocialist maneuvers by imperialists and reactionaries, in firmly deepening the defense line of our fatherland into an impregnable fortress, and in ensuring that an atmosphere of attaching importance to the military and laudable custom of unity between the Army and the people are further enhanced in our whole society.

The respected and beloved comrade supreme commander's on-the-spot guidance to all frontline areas, including the east, middle, and west frontline sectors, conducted this year in the wake of the ones he conducted last year, as well as his recent inspections of the units of the People's Army defending the east coast area, were

events which have opened up an occasion of momentous turn in strengthening the combat preparedness and capabilities of the People's Army. They will shine forever as immortal events in the history of building our revolutionary armed forces. [applause]

The respected and beloved Comrade Kim Chong-il, who has personified the political ideology that the great leader [suryongnim] possessed in his young days as it is, has always identified young men as the valuable flower of the country and the nation, the most vigorous units of society, and as the supreme commander's reserved combat units. He has vigorously led the youth league and young men so that they can work militantly and live optimistically, full of revolutionary optimism, as the successors to the chuche revolutionary cause.

The respected and beloved Comrade Kim Chong-il, who has carried on the lofty will of the great leader [suryongnim] — who bestowed a brilliant future and endless hope upon young people of the new generation by presenting the slogan "Love the Future" in his early days — presented the new slogan, "Love Young Men." With this new slogan he has strengthened and developed the Socialist Working Youth League into the Socialist Youth League of Kim Il-song and has seen that our young men firmly prepare to become 5 million general bombs, a vanguard, and a do-or-die unit which resolutely defends the respected and beloved general.

Indeed, thanks to the great leader Comrade Kim Chong-il, who leads the party and the revolution at the forefront, our party has strengthened and developed into a firm, dignified, and invincible revolutionary party in which the entire party is rallied like a rock, based on one ideology and one center, and it firmly realizes the militant guidance to the whole society. At the same time, the Army, the people, and the masses of young men are firmly united with one mind and one will under the party's leadership. Consequently, the main force of our revolution has been firmly consolidated, and our own style of socialism is vigorously demonstrating its superiority and vitality while surmounting all sorts of challenges of history. [applause]

The great leader [widaehan yongdoja] Comrade Kim Chong-il's achievements made for the party, the revolution, the times, and history, are immortal achievements he made while always being with the people and inspiring the strength of the popular masses a thousand fold. The respected and beloved Comrade Kim Chong-il's [kyongaeahanun kimjongil tongji] motto of life and struggle is the truth that those engaging in the revolution will win if they always trust and rely on the people, but if they are abandoned by the people, they will fail every time. He has embroidered the entire course of his

revolutionary activities with boundless love and devoted service for the people.

Serving the people is his greatest happiness. Every time he faces a difficult and immense task of the revolution, he goes to the people and inspires their strength. Our respected and beloved Comrade Kim Chong-il is someone who forms a harmonious whole with the people to overcome all sorts of storms in history. Indeed, the respected and beloved Comrade Kim Chong-il is the great successor of the chuche revolutionary cause, a benevolent father of the people, an outstanding and tested political leader [chidoja], and an extraordinary military strategist who bears the highest loyalty and filial piety toward the great leader [suryong]. Our party, our people, our People's Army and youth, who are upholding him at the highest position of the party and the revolution [tanggwa hyongmyongui suwie nopi mosigo], and are carrying out the revolution following the general's leadership, are blessed with the leader [suryong] from generation to generation, and have the highest glory and happiness. [applause]

On this significant occasion, commemorating the 32d anniversary of the respected and beloved general's [kyongaeahanun changgunnim] working with the party Central Committee, I hereby express the greatest honor, warmest gratitude, and the boundless admiration and loyalty of all the people to the great leader [widaehan yongdoja] of our party and people, Comrade Kim Chong-il, who is wisely leading the entire party, all the Army, and all the people to struggle to complete the chuche-based socialist cause with his outstanding ideology and leadership, and who is registering immortal achievements for the party, the revolution, the fatherland, and the people. [applause]

Comrades, our revolution victoriously walked along the arduous revolutionary course under the wise leadership of the party and the leader [suryong]. Today, the revolution is tiding over the waves of history and advancing vigorously, following the course indicated by the chuche idea. In order for our party and people to successfully fulfill their mission before the times and the revolution, all party members and people should uphold the leadership of the great leader [widaehan yongdoja] Comrade Kim Chong-il, having faith in sure victory and revolutionary optimism, as they did in the past. [applause]

The great leader [widaehan suryong] Comrade Kim Il-song taught: In order to defend the popular masses-centered socialism of our country and brilliantly complete the chuche revolutionary cause, the entire party and all the people should firmly unite around Comrade Kim Chong-il and uphold his leadership.

Our party members and people bear deep in their hearts the iron faith and will that when the great leader [widaehan yongdoja] is standing at the vanguard of the road of revolution, they are not afraid of any trial or difficulty and will achieve victory. This faith stems from the 30-odd years of historical course of our revolution, in which they walked along the single road of victory and glory, upholding the respected and beloved Comrade Kim Chong-il.

Even in today's complicated environment, we should have firm faith and bravery that we will be ever-victorious without the slightest vacillation, even if we face a strong enemy's assault and greater trials than ever, because the great leader [yongdoja] Comrade Kim Chong-il, who has been firmly leading the chuche socialist cause to continuous victories with his iron-strong will, peerless courage, farsightedness, and outstanding strategies, is standing at the head of the party and the revolution. With this faith and bravery, we should invariably and firmly trust and follow only our leader [yongdoja] and stoutly walk the long way of revolution under the general's leadership, bravely overcoming all difficulties and hardships.

We should strengthen even more firmly the farsighted policy for the chuche cause formulated by the great leader [yongdoja] Comrade Kim Chong-il while leading our party, the organizational and ideological basis of the party, and we should resolutely defend, succeed, and develop through the generations the immortal leadership achievements made by the party and the leader. [applause]

At the same time, we should establish even more firmly the revolutionary trait that the entire party unconditionally accepts and implements to the last the party's policies and decisions. We should have party policies smoothly delivered to inferior offices, and further strengthen the iron-firm discipline and order in which the entire party acts as one under the unitary leadership of the great leader [yongdoja] Comrade Kim Chong-il.

In order to resolutely defend, protect, and glorify our own style of socialism while overcoming stumbling blocks on the road of revolution, it is necessary to properly carry out ideological indoctrination and political work for party members and working people. It is a mandatory requirement in implementing the socialist cause to give priority to ideological work. What is important in ideological indoctrination in this age is to strengthen indoctrination in the faith and will that our socialist cause under the leadership of the party and the leader will achieve victory without fail.

The ideological indoctrination and political work for party members and working people should be carried

out not only by party functionaries, but by all functionaries, including administrative and economic ones. The political work recently set out on by the entire party according to the party policy shows that the people's love of and trust in the party is bolstered and greater results are achieved in implementing economic tasks when all functionaries come to grips with reality, work and eat with workers and farmers, smell the odor of oil and earth in front of machines and on farms, and vigorously carry out political work in the anti-Japanese guerrillas' style, upholding the party policy on ideological indoctrination.

We should place ideological indoctrination and political work above all other work, and efficiently carry out ideological indoctrination in accordance with the actual demands of socialist construction so as to firmly prepare party members and working people politically and ideologically. By doing so, we should have them deeply bear the justness and invincibility of the socialist cause as their faith and overcome all difficulties of today.

The single-hearted unity of revolutionary ranks should be further strengthened in order for party members and working people to overcome obstacles and difficulties and firmly protect, defend, and add luster to our own style of socialism. [applause]

All party members and people should firmly establish a revolutionary view of leader, tightly unite themselves around respected and beloved Comrade Kim Chong-il, defend the single-hearted unity of the party and revolutionary ranks that centers around Comrade Kim Chong-il like he is the apple of their eyes, and constantly strengthen and develop it.

Following the spirit of death-defyingly protecting the leader [suryong] shown by the Seventh Regiment, which defended the headquarters of the revolution with honor in the thick forests of Mt. Paektu during the severe anti-Japanese revolutionary struggle, all party members and people should become genuine loyal servants, guns, and bombs to defend and protect the respected and beloved comrade supreme commander resolutely, politically, and ideologically with their very lives. [applause]

We should actively emulate the lofty view on communist morality and the noble feature of respected and beloved Comrade Kim Chong-il [kyongaeahanun kim-chongil tongji], who is personifying loyalty to the leader [suryong] on the highest plane. Thus, we should uphold forever the great leader Comrade Kim Il-song as the eternal leader [yongwonhan suryong] of our revolution and brilliantly implement the leader's [suryongnim] behest to the end.

Our people's struggle for socialism today is difficult and arduous. However, the road ahead for it is optimistic, and the overall situation is developing favorably toward the direction of our revolution.

All functionaries, party members, and working people should master deep in their hearts the red flag ideology; the spirit of the Arduous March, which overflowed in the Paektu forests during the anti-Japanese revolutionary struggle; and thoroughly embody it in all fields of work and life. In this way they should contribute substantially to brilliantly implementing the party's revolutionary economic strategy and further enriching people's lives.

In particular, functionaries, the commanding members of the revolution, should further increase the demands made of themselves as the party's trust in them becomes greater, and they should always mingle with the masses in accordance with the slogan, "Let the Entire Party Mingle With the Masses." Thus, they should share weal and woe with the masses. In this way, they should become the standard bearers of the masses and the buglers of miracle who are implementing the great leader's [suryongnim] behest.

All party members and working people should properly carry out the management of national land, including mountains, rivers, and streams, cherishing the spirit of patriotic devotion for the enrichment and prosperity of the socialist fatherland so as to make the fatherland's mountains and rivers more beautiful and affluent. At the same time, they should also make work sites and villages in a more civilized manner and more assiduously.

All party members, the people, and officers and men of the People's Army should maintain a high revolutionary vigilance to cope with the prevailing acute situation, and they should thoroughly implement the party's self-defensive military line. Thus, they should prevent enemies from infiltrating even one inch of the land, sea, and sky of our fatherland. If the enemies ignite the fuse of war in our country, the army and the people should firmly unite as one mind and one will, smash the rascals with one blow, and thus firmly defend the country's security and the gains of the revolution. [applause]

There is no force in this world that can block the road ahead for our people, who are vigorously fighting with a firm faith and overflowing optimism in certain victory.

Let all of us firmly rally around the party Central Committee, headed by the respected and beloved Comrade Kim Chong-il [kyongachanun kimchongil tongjirul subanuro hanun tang chungang wiwonhoe], and fight vigorously for a new victory of the revolution. [applause]

Long live the revolutionary ideology of Comrade Kim Il-song, the great leader of our party and people! [applause and hurrahs]

Long live the glorious Workers Party of Korea, which is the organizer and guider of all victories of the Korean people! [applause and hurrahs]

DPRK: KCNA Decries ROK's Arrest of Students for Studying Chuche

SK1906045696 *Pyongyang KCNA in English*
0432 GMT 19 Jun 96

[FBIS Transcribed Text] Pyongyang, June 19 (KCNA) — The Kim Yong-sam fascist clique on Tuesday [18 June] arrested four students on the charge of violation of the "National Security Law" for the mere reason that they studied the chuche idea, disseminated it among working people and students and engaged in righteous activities for the overthrow of the "civilian"-veiled fascist dictatorship.

This is part of the scheme to "obliterate" the pro-reunification patriotic and democratic forces in South Korea and an unpardonable challenge to the nation calling for peace and reunification of the country.

The suppression of the study and dissemination of the chuche idea indicates that they are a group of political gangsters ignorant of philosophy and ideology.

The arrest of students fighting for the overthrow of the "civilian"-veiled fascist dictatorship is a heinous crime against the nation and reunification.

Facts show that unless the "civilian" fascist dictatorship is overthrown in South Korea, society cannot be democratized nor can a genuine way of peaceful reunification be opened.

The Kim Yong-sam group must immediately stop suppressing the students involved in the study and dissemination of the chuche idea and the pro-democracy struggle against fascism.

DPRK: Further Denouncement of Student Arrests in ROK

SK1906050496 *Pyongyang KCNA in English*
0435 GMT 19 Jun 96

[FBIS Transcribed Text] Pyongyang, June 19 (KCNA) — The "civilian" fascist clique arrested Pak Chi-yon, a graduate of Korea University, on Monday [17 June] on the charge of violation of the "National Security Law" for the reason that he formed an organization and made activities to disseminate Kim Il-song's chuche idea and oppose the United States, a Seoul-based radio reported.

The fascist clique also arrested Yi Sang-hun, a graduate of Kyonghui University, for he formed a progressive student organisation in May last year and conducted propaganda activities, and Kang Ki-yong, a student of Yonsei University, for he took part in the inauguration of an organisation for the overthrow of the "civilian" fascism and guided a demonstration last April.

The repression of young patriots who take the lead in the study of the publicly recognised chuche idea and the struggle against U.S. imperialism and for national reunification angers students and other people.

DPRK: Student Committee Denounces Kim Yong-sam Group's 'Outrage'

*SK1906101296 Pyongyang KCNA in English
1007 GMT 19 Jun 96*

[FBIS Transcribed Text] Pyongyang, June 19 (KCNA) — The Student Committee of Kim Hyong-chik University of Education released a statement on Tuesday [18 June] denouncing the Kim Yong-sam fascist clique for their outrage of mobilizing riot police forces of 17 companies to forcibly disperse a rally, which was planned by the students of Chosun University of South Korea on June 14 to have sister relations with its university.

The statement vehemently denounced the ruthless repressive act of the Kim Yong-sam group as a worst anti-reunification and anti-national behavior to bar the struggle of students in the North and the South, perpetuate the nation's division and prolong their dirty remaining days.

While crying for "dialogue" and "peaceful reunification", the Kim Yong-sam group forcibly dispersed the joint meeting held separately by students in the North and the South. This is a mockery of the nation as well as a self-contradictory argument, the statement said.

The more harshly the puppets intensify suppression, the firmer the bonds of blood between the students in the North and the South become in the common idea of independence, peaceful reunification and great national unity.

The puppets' violent acts will only precipitate the Kim Yong-sam group's destruction, the statement noted, and stressed, we take this opportunity to express the belief that the fellow students of the Chosun University and those under the South Korean Federation of University Student Councils (Hanchongnyon) in the South will, together with the people of all walks of life, resolutely fight against the division-pursuing Kim Yong-sam group and actively contribute to achieving the country's reunification and great national unity by invigorating in-

dependent exchanges between the students in the North and the South.

DPRK: France-Based Diplomat Admits 'Food Shortage' in DPRK

*BR1906075896 Paris AFP in French
1426 GMT 18 Jun 96*

[FBIS Translated Text] Paris, 18 Jun (AFP) — In Paris on Tuesday [18 June], a North Korean diplomat admitted "a food shortage" in his country, which according to information from Western sources is suffering from a famine, and has launched an appeal for more international humanitarian aid.

Speaking at a news conference — an exceptional event — Pak Dong Chun, the DPRK (Democratic People's Republic of Korea) general delegate in France, said: "It is true that we have not fully resolved the problem of food shortages due to flooding" last year.

The North Korean diplomat indicated that last year's "natural disasters" had "affected" nearly 7.2 million inhabitants and caused approximately \$5 billion in damage.

DPRK Diplomat Hopes Lyons G-7 Summit Not To Favor ROK

*BR1906083696 Paris AFP in French
1552 GMT 18 Jun 96*

[FBIS Translated Text] Paris, 18 Jun (AFP) — A North Korean diplomat said in Paris on Tuesday [18 Jun] he hoped that the summit of the seven most industrialized countries (G7) to be held in Lyons (central France) in late June would be "impartial" and would not take a stand in favor of South Korea.

The DPRK (People's Democratic Republic of Korea) general delegate in France, Pak Dong Chun, indicated at a press conference that "according to certain sources of information, the present situation in Korea was to be discussed in depth during the next G7 summit in Lyons."

Mr. Pak stated that this situation "has been tackled inequitably until now, in the sense of preference being given to South Korea. We hope that this question will be handled (at the G7) impartially with the sole concern of ensuring peace and security in this part of the world, in accordance with the wishes of the whole Korean people," he added.

On Monday [17 June] a North Korean Foreign Ministry spokesman already warned the countries taking part in the G7 summit regarding the position they would be taking on the question of peace in the Korean peninsula.

"The previous summits of the seven western countries have never aided in the reduction of tensions in the Korean peninsula and the achievement of peace and the peaceful reunification of Korea," the spokesman said, who was quoted by the official North Korean news agency KCNA, monitored in Tokyo.

South Korea

ROK: 'At Least 100' Allegedly Die of Hunger in DPRK's Hamhung

SK1906015896 (Internet) The Digital Chosun Ilbo
WWW in English 1201 GMT 18 Jun 96

[FBIS Transcribed Text] It is known that the US Government has acquired information that at least 100 or so people have died of hunger in the Hamhung industrial complex in North Korea.

A source in Washington DC said Monday [17 June] that this report was relayed to State Department last weekend and that the State Department is now engaged in confirming the veracity of the information through various channels. According to the report there is a serious famine in the Hamhung area and that at this point in time 102 deaths have been confirmed although the real figure is much higher.

The reason why Hamhung has been particularly hard hit by famine is that the area is geographically very inaccessible and in addition due to there being there a strong sentiment of resentment towards the North leader, Kim Chong-il, food rations dispensed to the area are much less than usual.

ROK: DPRK Envoy Admits Food Crisis, Asks for 'Humanitarian' Aid

SK1806225096 Seoul KBS-1 Radio Network
in Korean 2100 GMT 18 Jun 96

[YONHAP from Paris]

[FBIS Translated Text] Pak Tong-chun, chief of the North Korean mission in Paris, acknowledged the North Korean food crisis and asked for humanitarian aid today. It is rare for a North Korean diplomat to do so.

In a news conference, Pak said it is true that North Korea has not yet completely solved its food problems, adding that the total flood damage is estimated to be \$5 billion.

ROK: UN Collects Over 15 Million Dollars in Aid for DPRK

SK1906002696 Seoul YONHAP in English
0017 GMT 19 Jun 96

[FBIS Transcribed Text] United Nations, June 18 (YONHAP) — The United Nations has received

15,664,852 U.S. dollars in pledges in response to its emergency appeal for funds to help alleviate the food shortage in North Korea, the world body's Department of Humanitarian Affairs (DHA) disclosed Tuesday [18 June].

The sum accounts to 35.9 percent of the 43.6-million-dollar second UN relief aid package for the flood-stricken communist country to be distributed between July 1 and March 31.

South Korea has committed 3 million dollars, the United States 6.2 million, Japan 6 million dollars, Australia 396,825 dollars, and New Zealand 68,027 dollars.

The additional aid plan was worked out in response to the findings of an on-site survey conducted by DHA and other UN agencies in North Korea.

Akashi Yasushi, deputy UN secretary general for Humanitarian Affairs, in a letter dated June 10 and addressed to the member states, appealed for their participation in the relief effort on behalf of North Korea.

ROK: DPRK Reportedly Imports Low-Quality Flour, Corn From PRC

SK1906140696 Seoul KBS-1 Television Network
in Korean 1235 GMT 19 Jun 96

[FBIS Translated Text] It was confirmed that because of its serious food shortage, North Korea has imported corn to feed livestock as well as low quality flour from the PRC, and is using them for food. Following is a report by Hwang Sang-mu:

[Begin recording] [Hwang Sang-mu] It is the afternoon on 17 June in Tumen, a PRC border city near the Tumen River. Trucks fully loaded with cargo are lined up before customs, which leads to North Korea. They are loaded with low-quality flour which is not being used in the PRC, and which North Korea will use for food. Six trucks loaded with 120 tonnes of flour in all are passing across a narrow bridge. A large portrait of Kim Il-sung can clearly be seen in front of North Korean customs.

[[Chzen Peng-hua), a PRC truck driver, speaking in Chinese; translated from Korean captions on the bottom of the screen] We go into North Korea once a day. How much do the trucks carry? Sometimes 200 tonnes or 100 tonnes, or 60 tonnes at least.

[Hwang] The distance the trucks drive is only about four kilometers. About 2,000 tonnes of low-quality flour entered North Korea during the past five months. However, PRC traders explain that such a quantity is considerably low when compared with North Korea's demand. They conveyed that the North Korean children

are suffering from measles and dysentery because of malnutrition. [end recording]

**ROK: DPRK Reportedly Reorganizes
Administration Council**

SK1906082096 Seoul TONG-A ILBO in Korean
19 Jun 96 p 2

[Report by Mun Chol]

[FBIS Translated Text] It was confirmed that North Korea has recently partly reorganized its Administration Council. North Korea upgraded the Department of Food Administration [yangjongbu], which was under the Commission of Public Welfare [inmin pongsa wiwonhoe], and the Department of Hydrometeorological Services [kisang sumunguk], which was under the State Environmental Committee [kukka hwangyong pohowiwonhoe], to full-fledged ministries within the Administration Council. On the other hand, North Korea has eliminated the Ministry of Shipping Industry and the State Environmental Committee from its list of ministries within the Administration Council.

On 18 June, a relevant official from the Ministry of National Unification revealed this reorganization, quoting "The 1995 Central DPRK Annual" (published by the Korean Central News Agency on 30 December 1995).

As such, North Korea's Administration Council has now been reorganized into a system containing 12 committees, 22 ministries, one academy [won], one bank, two general bureaus [chongguk], and three departments [kuk].

**ROK: DPRK Suffers 'Culture Shock' From KEDO
Site Survey Team**

SK1906134796 Seoul CHOSON ILBO in Korean
19 Jun 96 p 15

[Report by reporter Kim Yon-kwang]

[FBIS Translated Text] From August of last year, the Korean Peninsula Energy Development Organization [KEDO] carried out a survey on five occasions in the Sinpo, South Hamgyong Province region, in order to select a site for the light-water reactor project. It was learned that the survey team, which was headed by the Korea Electric Power Corporation [KEPCO] and the technical team from KEPCO, provided a considerable "culture shock" to North Korea.

What the North Koreans were most surprised about was the "diligence" of the technical manpower of KEDO. Most of the technicians arrived in Pyongyang via Beijing, landing at Sunan Airport and then traveling by train to Yanghwa Station. Their lodging was where the

technicians of the former Soviet Union resided, which is about six kilometers from Kumho-ri, the expected site. The technicians moved to the site at 0700 and carried out such work as measuring, geological surveying, and meteorological observing. After the end of their day's work, they held a meeting and wrote reports until late in the evening. After seeing how they worked, North Korean technicians asked: "Why are you working so hard even though no one is there to oversee your work?"

North Korean technicians who worked with the ROK technicians showed much interest in the ROK citizen's monthly wages. They were surprised that the monthly wage of the ROK citizens was about \$4,000-5,000. The monthly wage North Korea officially demands its workers receive from foreign companies investing in the Najin-Sonbong region is \$80. It came as a shock to them after listening to how such "enormous" wealth was spent by the ROK citizens.

"There are many ways to spend \$4,000. We use the money for maintaining our cars and paying college tuition for our children, which is expensive. We must also spend the money to extend our houses, and if we are to prepare for old age, we must save money. If we live in Seoul with this amount of money, it is not enough."

While working on the site, a map was torn. When our technician taped it, a North Korean technician was very surprised because it was the first time he had seen transparent "scotch tape."

An "ROK-style speed battle" will soon develop at the construction site where there are no shouts and slogans. This is because "24-hour all-night construction" will continue when engineering construction will begin full-scale after 1997. Beginning later this year, our technical manpower will be about 100 people, and around 1999, when the first atomic reactor is established, our manpower will peak at 2,000-3,000 people.

At that time, over 3,000-4,000 North Koreans will be working alongside us. A "stand bar" operated by North Korea may open at Yanghwa Pier in Sinpo as well as a barge landing, which are passageways for our technical manpower. During the Myohyangsan negotiations with KEDO sometime in July, North Korea will put forth a "list" of which services North Korea can provide to the light-water reactor project.

A government authority said: "The North Korean authorities probably judged that North Korean technicians can absorb this degree of contact and shock. The Sinpo site will be a great 'reunification testing ground' for both the South and the North."

ROK: Kim Chong-u To Visit Japan To Invite Investment in DPRK

*SK1906005396 Seoul YONHAP in English
0036 GMT 19 Jun 96*

[FBIS Transcribed Text] Tokyo, June 19 (YONHAP) — North Korea will send a five-member delegation led by Kim Chong-u, vice chairman of the External Economy Commission, to Japan July 14 to attract investment, a Japanese newspaper reported Wednesday [19 June].

YOMIURI SHIMBUN quoted an economic institute in Niigata as reporting that the North Korean delegation will participate in a seminar in Tokyo from July 14 through 24 to discuss ways to promote Japanese investment in North Korea.

Kim is a vice minister-level official managing the Najin-Sonbong free economy and trade zone.

ROK, OECD 'At Odds' Over Opening of Korean Economy

*SK1906092196 Seoul THE KOREA TIMES in English
19 Jun 96 p 8*

[FBIS Transcribed Text] Despite Seoul's announcement Monday [17 June] to hike the aggregate foreign stock ownership ceiling to 29 percent in 1999 and permit foreign banks and securities firms to open subsidiaries here, the Organization for Economic Cooperation and Development (OECD) and Korea are at odds over the opening of the Korean economy.

Observers well versed in the nuts and bolts of the OECD said the Paris-based club will not be satisfied with the current degree of openness in the Korean economy. They said the two sides have fundamental and philosophical differences concerning deregulating capital controls.

Seoul insists that it will never be able to open the remaining controls on capital inflows, including the bond market-opening and introduction of cheap foreign commercial loans into Korea, as long as the wide interest rate difference exists between home and abroad.

The OECD is advocating that Seoul will see a reduction in the wide rate gap if it eliminates the remaining controls on capital inflow. The OECD expects Seoul to set a timetable on the opening of the bond and money markets as well as the inflow of foreign capital. However, Seoul officials said they will not be able to provide a timetable because they do not know when the rate gap will be narrowed.

A Ministry of Finance and Economy official said if the OECD understands Korea's view, "We may be admitted

into the OECD." But otherwise, there is a possibility of Seoul's putting off gaining a seat, he predicted.

Deputy Finance-Economy Minister Om Nak-yong will lead the Korean delegation to a meeting of the two OECD panels—the committee on multinational enterprises and international investment and one on invisible and capital transactions July 4 in Paris.

ROK: Prosecution Arrests Two at Securities Board

*SK1906021996 (Internet) The Digital Chosun Ilbo
WWW in English 1201 GMT 18 Jun 96*

[FBIS Transcribed Text] The Office of the Supreme Prosecutor announced Tuesday [18 June] that it had arrested Pak Kon-u, assistant vice-superintendent, and Nam Sun-to, vice-director of the Securities Supervisory Board on the account of allegedly having taken bribes.

The Office also announced that Yu U-il, assistant vice-superintendent, was also indicted under the suspicion of accepted bribes totalling 15 million won from Hansol Paper Mills. This takes the total number of Securities Board officials in connection with the bribery scandal to four, including the former superintendent.

Prosecutors are planning to summons Yi Kon-su, former vice-superintendent, who is residing in the US as soon as he returns home.

ROK: Ruling, Opposition Parties Brace for Prolonged Stalemate

*SK1906085096 Seoul YONHAP in English
0817 GMT 19 Jun 96*

[FBIS Transcribed Text] Seoul, June 19 (YONHAP) — The government and opposition parties are bracing themselves for a prolongation of the current political stalemate over the formation of new parliamentary leadership.

Tension between the rival parties is likely to persist over a prolonged period of time in view of the fact that neither side shows any sign of relenting.

The ruling New Korea Party (NKP) has said it would try its best to settle the political impasse through dialogue on the one hand but has kept warning on the other that it would get tough with the opposition camp in case it refused to change its position to the last moment.

In a meeting of NKP lawyers Tuesday [18 June], it was decided to sue the three opposition leaders — Kim Tae-chung of the National Congress for New Politics (NCNP), Kim Chong-pil of the United Liberal Democrats (ULD) and Kim Won-ki of the Democratic Party (DP) — for libel in connection with their joint issuance of a "White Paper" on alleged election frauds.

The ruling party has decided that it will devote more time and energy to developing new policies aimed at improving the lives of the people, in preparation for the upcoming presidential election, while facing the opposition's political offensive in a fair and square manner on the political front.

It also plans to coordinate a tour of industrial facilities later this week for freshman and sophomore lawmakers so that they can get a first-hand look at the problems facing factories before the new parliament begins its legislative duties.

Secretary-general Kang Sam-chae said, "Since parliament will apparently be adjourned for some time to come, the ruling party will discuss matters related with people's everyday life with the administration. With this goal in mind, we will soon name our parliamentary committee members and let them meet their administration counterparts for policy consultations and coordination."

Chief policymaker Yi Sang-tok said, "Parliament is still idle, but there are many things to do, including welfare programs for the needy. As the ruling party, we will seek solutions to the problems the people face in their daily lives and discuss them with the administration."

And beginning Thursday, the NKP will discuss next year's budget with the administration.

The NCNP and the ULD attribute the political impasse to government election fraud and the NKP tampering with the election results by recruiting independent and democratic lawmakers-elect to obtain a parliamentary majority.

Since parliament appears to be in recess indefinitely, the opposition parties plan to conduct on-site opinion surveys about such politically sensitive issues as rice imports, city gas leaks and the personal communication service market promotion plan, in an attempt to win public support for their cause which has brought them into conflict with the government party.

On Wednesday, the NCNP and the ULD formed what they called the Opposition Policy Consultation and Coordination Committee to move forward with their demands for the political neutrality of law-enforcement agencies, rational distribution of political funds and fair and impartial electronic media.

In a bid to expand the scope of their anti-government campaign, they are planning to induce the minor opposition DP to join them in the campaign.

To keep the public from viewing them as hard-liners refusing dialogue and compromise, they plan to publicize their position in favor of opening channels of communi-

cation with the government party, while refraining from outdoor rallies and street demonstrations.

ROK: Assembly Holds Session 18 Jun; To Recess Until 22 Jun

SK1906035096 Seoul THE KOREA TIMES in English
19 Jun 96 p 2

[FBIS Transcribed Text] After a four-day recess, a plenary session of the National Assembly was called to order yesterday only to fail to elect the speaker and two vice speakers because of a sharp confrontation between the ruling and opposition camps.

However, the rival camps agreed to recess the plenary session until Saturday [22 June] and resume it on Monday. During the recess, the floor leaders agreed to continue talks to reach an agreement so that the new National Assembly be launched with the election of Assembly leadership.

The ruling camp has decided to recess again because of impending strikes at major industries and flood damage. The forthcoming summit between President Kim Yong-sam and Ryutaro Hashimoto in Cheju on Saturday contributed to the shift of the ruling party's strategy, according to the ruling New Korea Party.

As the oldest lawmaker, Rep. Kim Ho-nam of the opposition United Liberal Democrats, was absent yesterday, Rep. Kim Myong-yun of the ruling New Korea Party, the oldest lawmaker present on the floor, tried to come to the podium to preside over the session for the election of the Assembly leadership. However, he was stopped physically by opposition lawmakers.

The lawmakers from the opposition argued that the ruling NKP should continue negotiations with the opposition camp instead of trying to elect the House leaders unilaterally.

The new National Assembly was set to sail following the formation of the Assembly leadership June 5. However the election has not taken place because of the sharp confrontations between the rival camps, touched off by the ruling NKP's attainment of a majority by "recruiting" independent and opposition lawmakers soon after the April 11 general elections of lawmakers.

Shortly before the plenary session, the floor leaders of the three major parties met for last-minute efforts for a compromise, but to no avail.

The opposition camp strongly demanded an institutional device to ensure neutrality by the police and prosecution, a demand which the ruling camp dismissed as a sheer political offensive.

ROK: Kim Tae-chung: NCNP Supports Existing Presidential System

SK1806124096 Seoul YONHAP in English
1225 GMT 18 Jun 96

[FBIS Transcribed Text] Suwon, June 18 (YONHAP) — Kim Tae-chung, head of the opposition National Congress for New Politics (NCNP), said here Tuesday [18 June] his party supports the existing presidential system.

"I don't think we can rewrite the Constitution in favor of a parliamentary cabinet system during the current National Assembly period," Kim said, adding, however, that if the people so wish, it may be done during the next National Assembly.

In a speech at the Graduate School of Public Administration, Kyonggi University, Kim recalled that in the April 11th general elections, the ruling New Korea and opposition NCNP and Democratic Party committed themselves to the presidential system.

The United Liberal Democrats which advocated a parliamentary cabinet system ended in winning no more than 16 percent of the total votes cast, he said.

"You cannot change the power system without concurrence from the people," he stressed.

Noting, however, that the existing Constitution contains some traits of cabinet system, the opposition leader said a coalition cabinet or a supra-partisan cabinet may be created by making good use of these traits.

ROK: MBC TV Journalists Tender Resignation

SK1406031696 Seoul YONHAP in English
0146 GMT 14 Jun 96

—Semiofficial News Agency of the ROK

[FBIS Transcribed Text] Seoul, June 14 (YONHAP) — Reporting journalists at a major TV network submitted their resignations in protest of the punishment management has meted out for former key leaders of their trade union.

One hundred and fifty-four reporters at the Munhwa Broadcasting Corporation [MBC] tendered their resignations en masse Friday [14 June] morning after an emergency meeting late Thursday night.

Their decision came three days after the company dismissed former Union Chief Choe Mun-sun and suspended five other former union officials from office for up to six months for their role in the union's strike last March and April.

The union had demanded a voluntary resignation of MBC President Kang Song-ku who the union decided

was good-for-nothing. Unionists stopped their strike after Kang promised to resign. Kang has not, however, resigned yet.

A spokesman for the trade union said, "We consider the company's punishment as a type of violence. To protest the company's worst choice, we tendered our resignations en masse."

Union members working in other sections will also hold emergency meetings to discuss ways to cope with the company's actions.

ROK: Economist Offers Economic Forecast for Second Half of 1996

SK1806035596 Seoul THE KOREA TIMES in English
18 Jun 96 p 8

[By staff reporter No Chun-hun: "Computers, Telecom Systems To Partly Compensate for Poor Chip Performance"]

[FBIS Transcribed Text] The continuing fall in the prices of memory semiconductors is putting a damper on the Korean electronics industry but the soaring demand for computers and telecommunications equipment is offering some consolation.

According to Kim Suk-hui, a research fellow at the Korea Institute for Industrial Economic and Trade (KIET), production of industrial electronics will reach \$8,839 million in the second half of this year.

The output represents an increase of 20.9 percent over the same period of last year and is a considerable improvement from the projected \$6,874 million in the first half of this year.

Of the production volume, \$4,883 million worth will head for foreign destinations, up 21.3 percent over the second half of last year, bringing the total for the year to \$8,744 million.

"Mainly, the increase in the demand for large computer monitors will spur the export market. However, the outbound shipments of cellular phones and other communications terminals will drop," Kim projected.

He said the export of large-capacity hard disc drives with storage capacities of more than 1 gigabytes is continuing to increase and the demand for CDMA (code division multiple access) equipment will also soar.

The local market will also be spurred by the increasing demand for notebook computers and multimedia applications. "Overall, the strong demand in the information and communications business is boosting the market," Kim explained.

On the other hand, the area of real concern is semiconductors which accounted for nearly 20 percent of total national exports last year and was initially projected to lead the export market once again this year.

A KIET forecast showed that electronics parts exports will hit \$17,580 million in the second half of this year, up 7.9 percent over the second half of last year, bringing the total for the year to \$31,510 million.

"The total production for the year, projected at \$40,820 million, is an increase of just over 10 percent, considerably lower than the 49.8 percent last year over the previous year," said research fellow Chu Tae-yong.

The main problem with semiconductors is the sharp fall in the prices of dynamic random access memory chips. The average price of 16M DRAM chips fell from the \$44 at the end of last year to \$10-\$12 last month.

While projecting that the price situation will stabilize in the second half of this year because of cuts in production in both Korea and Japan, Chu said the excessive supply in the market will continue.

He added, "One positive development in the market is that companies like Hyundai Electronics Industries are making heavier investment in non-memory chips but the effects will only be felt years down the road."

Other electronics parts and components, such as color picture tubes and color display terminals will certainly do better because of the increase in production volume but the fall in international prices will act as an obstacle.

In the area of home electronics, the situation is not expected to improve from the previous few years, especially with the reduced demand in the local market and increasing volume of imports.

Senior research fellow Kim Tu-hyon said total production will increase 6.1 percent in the second half of this year to \$7,352 million with exports inching up 7.1 percent to \$4,405 million.

ROK: Hastening of Financial Deregulation Called 'Reckless'

SK1906022196 (Internet) The Digital Chosun Ilbo
WWW in English 1158 GMT 18 Jun 96

[Editorial: "Why The Rush For Financial Liberalization?"]

[FBIS Transcribed Text] The government's announcement that it intends to fully liberalize the banking and securities industry by the end of 1998 is somewhat mystifying. A policy to open up the finance sector ought to be predicated on long-term comprehensive strategic planning and be carried out carefully on a stage-by-stage

basis yet there is no indication that the government has done so in announcing its plans. If the government's plan is based, as reported, on an eager desire to join the new then its decision is undoubtedly a hasty one. [sentence as received] We understand that there are principles and order to liberalization of the finance sector; essentially the only prudent approach is to first pave the way for and permit for some time domestic competition and then, at a later date, condone foreign entry. The government's directive deviates sharply from customary practice and its implementation will ultimately inflict severe damage to the domestic finance sector which is fragile and still somewhat primitive.

The government has issued a policy with a view to creating a competitive domestic finance industry however its component objectives to date have not been properly met. For example, there is still a lack of autonomous financial and personnel management within the finance and banking sector and the country's central bank has not yet achieved neutrality and independence in its functioning. The sector is also plagued by loose and ineffective management, a plethora of underhand and back-room deals and government interference.

In such a situation the result of expediting foreign entry into the finance sector will be calamitous, the cost enormous. Furthermore, we lack sufficiently advanced industry regulation to cater for liberalization and we have no system safeguards in place to counteract disturbance in the sector.

The task ahead of us is to, without care or concern as to the haste by which we obtain new membership, take early measures to prepare for proper finance sector liberalization and erect a basis for real domestic competition. Instead of adopting reckless measures in fear of the sands of time the government ought to join forces with the finance sector and collaborate to bring about the independence of sector function and the renovation of existing management practices. In addition it will be necessary to boldly transform current ideologies in order to achieve sector streamlining and competition within the finance industry.

ROK: Vice Premier Na Endorses Infrastructure as Funding Priority

SK1906022496 Seoul YONHAP in English
0124 GMT 19 Jun 96

[FBIS Transcribed Text] Pusan, June 19 (YONHAP) — The government will give priority to infrastructure construction projects when allocating its financial resources, Deputy Prime Minister and Finance and Economy Minister Na Ung-pae said Tuesday [18 June].

After touring the new harbor construction site on Kadok Island, he told reporters that private companies will be encouraged to invest in port construction and expansion projects.

In 1994, the government decided to build a new port on Kadok Island off Pusan, and Na toured the site before presenting a basic port construction plan to President Kim Yong-sam early next month.

The government plans to construct a harbor for container ships' exclusive use on the island at a cost of 5.5 trillion won (about 7 billion U.S. dollars) — 2.7 trillion won in government financing and 3.8 trillion won in private funds — by 2011.

Some 3.5 trillion won is earmarked for the construction of a pier where 10 large container ships can berth simultaneously by 2005 and additional 2 trillion won for the construction of another pier having 14-ship capacity by 2011. The port will be capable to handle 4.6 million containers annually.

Samsung, Daewoo and five other construction companies have bid on the project, and the successful bidder will be announced in late September.

ROK: MOTIE Frees 10 Items From Import-Source Diversification

SK1906090496 Seoul YONHAP in English
0742 GMT 19 Jun 96

[FBIS Transcribed Text] Seoul, June 19 (YONHAP) — The government has decided to exclude 10 items from the import-source diversification system starting July 1, reducing the number of total target items to 152.

The Ministry of Trade, Industry and Energy (MOTIE) announced the decision Wednesday [19 June], and added that five import items will be partially decontrolled.

The completely-deregulated 10 items will include buzz saws, golf clubs and dredgers, and the partially-decontrolled five items include auto parts, a MOTIE official said.

The nation introduced the trade system in 1978 in order to improve a worsening trade deficit with Japan, and selected 924 items as targets of the system for the first time in 1981.

Since then, the government has reduced the number of target items to 591 in 1984, 262 in 1989, 230 in 1994 and 162 presently.

MOTIE originally planned to liberalize about 20 items this time, but reportedly changed its plan in consideration of the nation's increasing trade deficit and a backlash from effected industries.

It is a source of concern, however, that MOTIE's decision was not made in consultation with the ministries involved and might put pressure on consumer prices by liberalizing such luxury goods as golf clubs, inviting criticism from such international organizations as OECD and WTO [World Trade Organization] suggesting that Korea is too passive about opening its market.

The government plans to completely scrap the system in 1999.

ROK: Public Unions Urged To Employ 'Rational' Settlement Methods

SK1906021896 (Internet) The Digital Chosun Ilbo
WWW in English 1157 GMT 18 Jun 96

[Editorial: "Negotiate First, Strike Later!"]

[FBIS Transcribed Text] Many large public sector industries including Seoul Subway, Korea Telecom, the Mint, the Medical Insurance Association and the Pusan Transport Corporation are revving up for a collaborative grand strike. Of course in a democratic state unions have powers to further the interests of their members within the framework of the law and industrial activity carried out on the behalf of workers is indeed often motivated by the desire that they achieve fair reward for their toil.

Where unions engage in industrial action that transgress the law, however, then public support quickly evaporates. Therefore we urge these unions to adhere to the tenets of justice that our democracy has so far promulgated and take logical and lawful measures on behalf of their members without straying beyond the prescribed confines of public policy and law and order. It is very important a situation where simultaneous public strikes by a number of large entities, lawful or otherwise, suddenly paralyze the proper functioning of the public sector and interfere with the lives of the people does not occur. This plea is maintained despite the fact that the collaborative may be a last resort on the part of the unions to press the claims of their members. [sentence as received]

In the situation where indicators suggest a bubble economy and a downturn in business a large scale public strike by the public sector will a occasion severe blow to worker-management relations and also inflict great societal damage. In addition it would pose a real threat to national security and well-being.

We do of course have faith in the good conscience of labourers and do not foresee such a calamity occurring. It is necessary, however, that union bodies sever ties with those small number of ubiquitous activists who to further their own political ends are prepared to fight simply for the sake of fighting itself and that they

limit their ranks to those workers who seek altruistically better employment benefits for their own alone.

We have no objection to labour unions existing and functioning as powerful entities in a democratic society. What we do ask however is that unions seek to reach mutual claims agreement with opposing management authorities through sensible discussion and negotiation in conjunction with expert groups and by employing rational settlement processes not by playing the zero-sum game whereby unions place make their claims subject to unacceptably stringent pre-conditions which simply cannot be met.

ROK: Public Service Labor Crisis Shows No Signs of Easing

SK1906090096 Seoul YONHAP in English
0601 GMT 19 Jun 96

[FBIS Transcribed Text] Seoul, June 19 (YONHAP) — A head-on confrontation seems likely between trade unions at five public-sector corporations and the police after official arbitration by the Labor Committee was requested for four of the five unions involved against their will Wednesday [19 June], just one day before the strike deadline set by the unions.

It is also feared that the walkouts might spread to the manufacturing sector since unions at Mando Machinery Corp., Kia Motor Corp. and Hyundai Heavy Industries Co., Ltd. have started disputes or notified labor offices of their plans to follow suit.

The Labor Ministry requested the central Labor Committee to exercise its right to arbitrate in disputes at the Seoul Metropolitan Subway Corp. and Korea Security Printing & Minting Corp. Wednesday morning.

Similar actions have been taken against the union at Korea Telecom by management and against the Pusan Transport Corp. union by the local government.

"To prevent a series of strikes by public-sector trade unions which would cause enormous social confusion, it was necessary to seek the arbitration," Labor Minister Chin Nyom told a press conference. "During the arbitration period, we will do our best to settle the disputes through dialogue."

It is expected that the labor committee will accept the requests Wednesday afternoon. Once the requests are met, any type of industrial action will be banned by law for 15 days.

The Korea Confederation of Trade Unions, an unauthorized labor organization, warned Tuesday that its members, 110 unions, would go on strike Thursday if such requests were made.

ROK: Government To Seek Other Partners for Airliner Project

SK1906064196 Seoul YONHAP in English
0625 GMT 19 Jun 96

[By Kim Hung-chung]

[FBIS Transcribed Text] Seoul, June 19 (YONHAP) — The South Korean aviation industry growth strategy is now in need of revision after the long drawn-out negotiations with China to jointly produce mid-size airplanes have broken down.

Delegations from the two countries met in Beijing Monday [17 June] and Tuesday but failed to overcome their differences. China insisted that the final assembly plant be in Shanghai, and that Korea participate in a mid-size airplane project China is promoting with the European Union and Singapore. If Korea accepted, it would be allowed a 10-12 percent share in the China-led project.

Korea insisted that the planes be assembled in China but finished in Korea, and that China take part in the project with a combined equity of 70 to 80 percent divided equally between the two countries. Of the remaining equity, 20 percent or less was to go to a third partner and less than 10 percent to a fourth Asian partner. This equity distribution was formally agreed to at the first Korea-China airplane subcommittee meeting held in Beijing in October 1994.

At the first meeting the two sides agreed on principles of reciprocity — equal investment, equal risk and joint market exploration.

The airplane project agreement between the Korean and Chinese heads of state was intended to test-produce 100-seat twin-engine jet airliners by 1998 in a joint venture that would include a third partner.

The Korean delegation blamed China for the impasse because Beijing unilaterally selected a third and fourth partner.

The rupture in negotiations brings Korea back to square one after two years of work on the mid-size plane project and will compel the Korean aviation industry to abandon its development strategy based on the joint-venture project with China.

The joint-venture with China was considered significant by Samsung Aerospace Industry, the leader of the Korean airplane industry. Korean Air, Daewoo Heavy Industry, and most part makers also took part in the project by organizing a consortium. The Korean companies intended to focus on the joint-venture project as the core of their aviation operations while launching

other related projects in connections with the joint venture.

While engaged in the joint-venture with Korea, China has also been trying to independently recruit partners on its own. Japan, meanwhile, sidelined from Korea-China project, has been trying to develop its own mid-size 100-seat planes in partnership with Canadian and U.S. manufacturers.

The Korean aviation industry is now concerned about the possibility of China and Japan dominating the Asian airplane market. Industry sources lament that the government depended on its Chinese partner too much and failed to prepare a contingency plan for a worst case scenario such as the recent cancellation of the joint-venture agreement.

The Korean Government, however, intends to press ahead with the mid-size plane project by promoting a different development scheme. A source at the Trade, Industry and Energy Ministry said: "Although the joint-venture project with China went nowhere, we will continue to move forward with the mid-size plane project by forming a partnership with other countries."

It remains to be seen, however, exactly how Korea will reshape its strategy and if the new plan will be successful without China, Asia's most lucrative and attractive airplane market, part of the picture.

ROK: President Urges Building Industry To End 'Unfair' Practices

*SK1806092296 Seoul YONHAP in English
0600 GMT 18 Jun 96*

[FBIS Transcribed Text] Seoul, June 18 (YONHAP) — President Kim Yong-sam urged the construction industry to rid itself of lingering unfair trade practices Tuesday [18 June], to prepare for the 21st century.

Speaking at a luncheon for 185 businessmen and cabinet ministers involved with the construction industry at Chongwadae [presidential offices], Kim said shoddy work and bidding fraud are still common practices.

Those involved in "conference bidding" are in violation of rules that mandate secret and competitive bids and other unfair and unlawful trade practices which must be punished in strict accordance with the law, he stressed.

Kim instructed Construction and Transportation Minister Chu Kyong-sok to ease government controls on the housing market and improve the bidding and subcontracting systems in a way that will help contractors become more competitive for the upcoming market opening.

After pointing out that many countries are increasing investment in infrastructure construction and expansion projects, Kim said this could mean an overseas construction boom for South Korean contractors.

The industry should do its best to make 1996 "the year of a new leap for the overseas construction," he stressed.

ROK: MOTIE: ROK Energy Imports Increased by 25.3 Percent in 1996

*SK1706090496 Seoul YONHAP in English
0757 GMT 17 Jun 96*

[FBIS Transcribed Text] Seoul, June 17 (YONHAP) — South Korean energy imports increased 25.3 percent in the first four months of the year to 7.87 billion U.S. dollars, according to the Trade, Industry and Energy Ministry [MOTIE] Monday [17 June].

A 14.9-percent increase in the volume of imported crude oil and the surge in imported crude oil prices from 17.49 dollars to 18.49 dollars per barrel have been blamed for the increase in energy imports.

As a result, South Korea relied on imports for 97.6 percent of its energy needs at the end of April, up 0.5 percentage points from the same period the previous year.

There were 264.45 million barrels of crude oil consumed in the four month period, up 8.9 percent from a year earlier compared to a 12.7-percent increase registered for the same period last year.

Liquefied natural gas imports climbed 30.3 percent to 3.5 million tons due to increased metropolitan use, while coal imports used primarily to fire thermal power stations rose 17 percent to 14.08 million tons.

Anthracite coal imports, however, fell 18.9 percent to 1.51 million tons: While its use for thermal power generation increased 22.8 percent, but its use as a home fuel declined sharply.

ROK: Government Unveils 'Sweeping' Financial Deregulation Plan

*SK1806031996 Seoul YONHAP in English
0221 GMT 18 Jun 96*

[By Kim Myong-chol]

[FBIS Transcribed Text] Seoul, June 18 (YONHAP) — The government announced a sweeping financial market deregulation plan Monday [17 June], involving a nearly complete market opening by December 1998.

The plan paves the way for South Korea to be admitted to the Organization for Economic Cooperation and

Development, because it is intended to meet most of the requirements for joining the Paris-based organization of advanced nations.

It will also expose the nation's banks and securities companies to the fierce competition of formidable rivals from advanced countries within two years.

Foreign banks will be allowed to open wholly-owned subsidiaries beginning December 1998. Currently, they can only open a branch or own up to 50 percent of stake in a joint venture.

There are presently 71 foreign bank branches and one joint-venture bank (Koram bank) in South Korea, and at least several of these are expected to be upgraded to locally-incorporated wholly-owned foreign banks.

These foreign banks will not pose an immediate threat to domestic retail banks, because domestic banks have already become accustomed to foreign bank competition in this area.

Dr. Yang Won-kun of the Korea Institute of Finance says locally-incorporated foreign banks will find wholesale banking more attractive than retail banking because of their expertise in this area.

In terms of capital and the scale of business done by these wholly-owned foreign banks will be much larger than that of branches now operating in South Korea and will thus become formidable competitors to domestic banks.

The plan also calls for easing the restrictions on opening a new bank.

New banks have been banned since 1992 when the Peace Bank was opened. Business groups (chaebol) are prohibited from holding more than a 4-percent stake in a bank to prevent industrial capitalists from taking over the financial market.

The plan does not, however, specify how these restrictions will be eased or lifted.

Foreign securities brokers will also be allowed to open 100-percent foreign-owned subsidiaries by December 1998 and the 10-percent limit on foreign ownership of domestic brokers will be lifted altogether next January.

Foreign investment trust firms will also be able to form joint-ventures beginning this coming December, and the 50-percent limit on foreign ownership of domestic investment trust houses will be lifted in December 1997.

The foreign limit for stock market investment will also be raised from the current 18 percent of a company's capitalization to 20 percent in the latter half of 1996, to 23 percent in 1997, further to 26 percent in 1998, and will be totally removed in 2000.

Domestically-incorporated foreign brokers are expected to be just as competitive as 100-percent-owned foreign banks will be.

Lifting the foreign investment limit in the year 2000 will bring foreign hot-money investors to South Korea to compete with their domestic rivals.

The absence of foreign investment limits will allow foreign investors to purchase as many shares as they like for mergers with and acquisitions of domestic companies.

ROK: Hyundai Shuts Down 16M DRAM Production on Sundays

SK1806035496 Seoul THE KOREA TIMES in English
18 Jun 96 p 8

[FBIS Transcribed Text] Hyundai Electronics Industries [HEI] shut down its production line for 16M DRAM (megabit dynamic random access memory) chips Sunday [16 June] for the first time in 10 years as part of its plan to reduce production volume.

The shutdown was initiated as planned in an effort to cope with the fall in DRAM prices in the international market where the average price for 16M chips fell to \$10-\$12 last month from \$44 at the end of last year.

HEI's Pang Min-ho said the shut-down, which will be effectuated on Sundays for the rest of the month, means that the production volume will be reduced from 7.5 million chips per month to 6.5 million.

HEI had announced last week that it was cutting its production volume by as much as 22 percent in line with efforts by leading semiconductor makers to stop the freefall in the prices of DRAMs.

Other Korean semiconductor makers, including Samsung Electronics and LG Semicon, also revealed recently that they were cutting back on production by around 15 percent.

The shutdown of the HEI facility marks a downside of a market.

ROK Automobile Industry Facing Increasing Labor Disputes

SK:906085596 Seoul YONHAP in English
0557 GMT 19 Jun 96

[FBIS Transcribed Text] Seoul, June 19 (YONHAP) — The South Korea's auto industry is currently plagued by labor dispute, just as it is faced with mounting competition from foreign rivals and sluggish exports.

Forecasts for automobile industry have been bleak since the second half of last year and it has had to struggle

to reach its annual export target. The current labor unrest at a number of auto assembly plants might very well become a full blown strike, which would be a tremendous blow to the industry.

Tuesday [18 June], Kia Motors Co. had to suspend operations at some of its plants, following a strike at Mando Machinery, Korea's largest auto parts maker.

The Labor Ministry warned the unions at these plants that it will come down hard on any illegal union activities and promised to do all it can to mediate all grievances.

Union demands vary by plant, but they revolve around a shorter work week (40 hours), rehiring dismissed employees, and other demands not directly related with working conditions.

Reports also indicated that the unions want to make a show of force now that the government is considering revising Korean Labor Laws so that they are consistent with Organization of Economic Cooperation and Development (OECD) standards.

Kia had to close its Sohari plant near Seoul, and the Asan plant in South Chongchong Province Tuesday, because the unions at these plants voted to go on strike if their demands are not met.

The situation was just about the same at Hyundai: Hyundai Heavy Industry has reported a labor dispute at its plants. Hanjung (Korea Heavy Construction and Engineering Co.) also reported similar developments at its plants the same day.

Ssangyong Motor Co. also reported the labor dispute at its plants, after the union voted Friday whether or not it would walk out.

Daewoo Motor Co. has also reported that its union is preparing to discuss the possibility of a strike.

Kia motors has announced that the strike is costing the company 35 billion won (44 million U.S. dollars) per day.

Mando Machinery's suspension of its auto parts distribution operations is going to seriously impact these car-makers: Daily losses are estimated at 91.2 billion won (114 million U.S. dollars).

Hyundai Motor has closed down its Accent plant in Ulsan Wednesday because of a lack of parts. Hyundai Precision Industrial Co. is about to close its Santamo utility car and Galloper jeep plants Thursday.

ROK: Anam Telecom, Development of Trunked Radio System Viewed

SK1406024596 Seoul THE KOREA TIMES in English 14 Jun 96 p 8

[By staff reporter Chae Hui-muk]

[FBIS Transcribed Text] Anam Telecom, the winner of the license for the nationwide trunked radio system (TRS) service over Tongbu, Kia and Hanjin, plans to provide the service from July 1997.

Kim Chu-chae, president of Anam Telecom and vice chairman of the Anam Group, said, "We will offer 8-10 percent cheaper rates than those charged by the existing service provider, Korea TRS." Korea TRS is a state-run firm serving ports.

"The rates will be slashed every two years and they will vary depending on the time, subscriber and distance," Kim said, adding that Anam will provide the best service with cheap rates to its clients.

TRS is a kind of radio service for business and public bodies without direct interest to ordinary people. The unique feature of the TRS service is that it connects one and many users on one radio frequency, as in the systems used by call taxi operators, the police, after-sales service providers and construction sites.

For example, an operator from the headquarters of a call taxi operator can send messages to all taxi drivers in an area through one call using the service.

Anam plans to provide one-to-many and one-to-one call services, and data transmission and automatic vehicle positioning as basic services in the first year, Kim said.

Anam started preparation in 1992 when the concept first became known to the public, undertaking R&D for the commercialization of digital frequency hopping multiple access (FHMA) technology jointly with Geotek Communications of the United States.

Anam opened a test TRS station on Mt. Namsan in Seoul in September last year.

The company set up Anam Geonet capitalized at an equal ratio in December to convert the FHMA technology being used in the United States to that in use in Korea.

Kim said, "Our most urgent task is the setting up of base stations. We will open 21 by July next year, for services in Seoul and Pusan, 45 by the next year, 30 in the second year and 41 in the third year. We need to negotiate with realty owners to use land and buildings for base stations."

Anam Telecom is a consortium composed of 54 shareholders led by Anam Industrial. Major shareholders include Hyundai Electronics Industries, Korea Express Co., Saangyong Cement, Korea Mobile Telecom and Maxon Electronics. Geotek is the sole foreign participant in the consortium.

Kim said Anam Telecom will be capitalized at 30 billion won next month and the paid-in capital increased to 50 billion won by December 1997.

Anam will invest a total of 93.1 billion won in the TRS project by the year 2001 — 20.3 billion won this year, 26.8 billion won in 1997; 16.6 billion won in 1998, 19 billion won in 1999, 6.2 billion won in 2000 and 4.2 billion won in 2001.

Kim forecasts that the company will make profits in 2000 for the first time with 10.2 billion won on turnover of 57 billion won. In 2001 it is expected to make 13 billion won on 64.4 billion won in turnover, reversing the accumulated loss of 26.8 billion won to 1999.

Subscribers to TRS service will increase from 175,985 next year to 480,574 in 2000 and 561,798 in 2001, said Kim, adding that Anam will take 21.5 percent of their number next year and increase its share to 44.9 percent in 2000 and 2001.

ROK: Government To Implement New Contract Rice Farming System

SK1406033096 Seoul YONHAP in English
0247 GMT 14 Jun 96

[FBIS Transcribed Text] Seoul, June 14 (YONHAP) — Beginning next year, the government will employ a new rice-purchasing system under which it will make a purchase contract with rice farmers that specifies a minimum purchase price and down payments will be made in the planting season on the basis of the price.

Under the contract system, the government will make down payments to rice farmers in the April-May planting season and the farmers will be free to sell the produce not covered by the down payment to the government or on the market after harvest.

This is the gist of a reform plan Agriculture, Forestry and Fisheries Minister Kang Un-tae presented at the agricultural administration reform meeting chaired by President Kim Yong-sam at Chongwadae (presidential offices) Friday morning.

The plan envisages a 35-percent cut in rice production costs and annual exports of primary industry products worth 10 billion U.S. dollars by 2004.

The purchase contract system is a far departure from the current system of purchasing predetermined quantities that was enacted in 1972.

The new system will help rice farmers make farming plans and proceed with them in a stable manner by giving an advance notice of the minimum purchase price. It will help maximize farmers' income by allowing them to sell a greater part of their produce on the market when rice prices are higher than the government-set price, minister Kang said.

If the government rice stockpile is insufficient because farmers choose to sell it on the market, the government will purchase rice at market prices, not at contract prices, through farm cooperatives, he added.

Beginning in 1997 the government will provide World Trade Organization-recognized subsidies to aged farmers who sell or lease their rice paddies to agrobusiness firms for more than five years to encourage rice farming.

Minister Kang said such subsidies will also be paid to those farming in such restricted areas as environmental preservation zones in the near future.

To keep amount of arable land available for farming from decreasing in agricultural promotion districts, the conversion of such land into non-farming use will be banned, while farmers in these districts will be provided with incentives, he added.

DPRK: Party, Government Cadres Visit Kumsangsan Power Plant

SK1806035696 Pyongyang Korean Central Broadcasting Network in Korean
2100 GMT 16 Jun 96

[FBIS Translated Text] At a time when all the people across the country and soldiers of the People's Army are seething with burning emotion to hear the news that Comrade Kim Chong-il, the supreme commander of the Korean People's Army (KPA) who is the great leader [yongdoja] of our party and people, inspected the Kumsangsan Power Plant, which has entered the stage of completion, party and government cadres visited this plant on 16 June.

Heroic KPA soldiers and builders, who have risen up as one, upholding in their hearts the respected and beloved supreme commander Comrade Kim Chong-il's order, have not only completed construction of a 40-km long large-type waterway tunnel in several years, but have also created the miracle of fundamentally completing the first-phase construction of the plant by bravely surmounting all difficulties through their mass heroism

and matchless self-sacrificing spirit and by devoting themselves to the construction of the power plant for the country's enrichment and prosperity and for the promotion of the people's welfare.

While recently visiting the Kumgangsan Power Plant, which has entered the stage of completion, the great leader Comrade Kim Chong-il expressed great satisfaction with the fact that soldiers and builders of the one-is-a-match-for-100 People's Army have built another monumental edifice which will shine forever with the era of the Workers Party. He highly appreciated the success of their struggle and extended gratitude to them.

Comrades Yi Chong-ok and Pak Song-chol, members of the Political Bureau of the Central Committee of the Workers Party of Korea [WPK] and vice presidents of the DPRK; Comrade Kim Yong-nam, member of the Political Bureau of the WPK Central Committee and vice premier of the Administration Council; Comrades Chon Pyong-ho and Han Song-yong, members of the Political Bureau of the WPK Central Committee and secretaries of the party Central Committee; Comrade Kim Chol-man, candidate member of the Political Bureau of the WPK Central Committee; Comrade Choe Yong-nim, candidate member of the Political Bureau of the WPK Central Committee and vice premier of the Administration Council; Comrade Hong Sok-hyong, candidate member of the Political Bureau of the WPK Central Committee and chairman of the State Planning Committee; Comrades Hwang Chang-yop and Kim Chung-nin, secretaries of the WPK Central Committee; Comrades Kim Pok-sin and Chang Chol, vice premiers of the Administration Council; Comrade Yun Ki-pok, chairman of the Economic Policy Commission of the Central People's Committee; directors of departments of the party Central Committee; committee chairmen and ministers of the Administration Council; and responsible functionaries and party secretaries at central organs visited the Kumgangsan Power Plant, which has entered the stage of completion.

These party and government cadres received a briefing by Lieutenant General (An Se-duk) in front of the map of the construction of the Kumgangsan Power Plant.

Lieutenant General (An Se-duk) said first: Supreme commander Comrade Kim Chong-il visited here a few days ago and congratulated soldiers and builders on their excellent jobs. Supreme commander Comrade Kim Chong-il then said that the Kumgangsan Power Plant is a great, large-scale edifice of our times and an edifice that we can be proud of to the world. He then stressed the need to emulate the revolutionary spirit that the soldiers of the People's Army displayed.

Lieutenant General (An Se-duk) then noted the love that supreme commander Comrade Kim Chong-il bestowed upon soldiers.

He noted that the soldiers and builders have been able to implement the behest of the fatherly leader [suryongnim] by bravely breaking through all sorts of barriers and difficulties with indomitable revolutionary spirit and by successfully accelerating difficult and vast projects unprecedented in the history of hydraulic power plant construction.

Saying that various impressive exploits and laudable episodes that had moved many people's hearts emerged during these proud days, he introduced the spirit of absolutely and unconditionally implementing the respected and beloved comrade supreme commander's order and instructions — the spirit which has been highly displayed among soldiers —; the revolutionary spirit of self-reliance and fortitude; mass heroism; the noble self-sacrificing spirit; revolutionary comradely love; and the lofty models of unity between officers and enlisted men.

Party and government cadres looked around the bank and water gates that rise high in the sky as a monumental tower reflecting the proud labor exploits of soldiers and builders of the People's Army.

Looking at the huge and magnificent edifices which are built in a dignified manner in a deep valley and which will hand down to posterity the mettle of the era of the Workers Party, the party and government cadres once again felt infinite reverence for and loyalty to the fatherly leader [suryongnim] who unfolded the grand plan to solve the country's electric power by remolding nature and who made all possible efforts to realize the plan until his last moments.

Greeting these visitors, the officers and men of the People's Army said: Because the respected and beloved supreme commander Comrade Kim Chong-il, who possesses the feature of the great leader Comrade Kim Il-sung as it is, is with us, it has been possible to vigorously push ahead with the construction project which was [words indistinct] and create a miracle that amazes the people of the world.

The party and government cadres looked around the 40-km long waterway along the same course that the respected and beloved supreme commander had traversed a few days earlier.

The party and government cadres looked around the large-scale (?water canal), a product of the proud labor struggle of soldiers and builders.

They looked around the (?generator room) which has entered the final stage of preparations for its first-

phase operation. They then met the soldiers and builders who performed great labor exploits in the struggle to implement our party's policy to remold nature and who have given joy to the respected and beloved General Kim Chong-il, and warmly congratulated them on their labor exploits. They encouraged these soldiers and builders to register greater innovations with the same vigor and mettle that they displayed in the first phase of the construction project.

Cherishing in their hearts a lofty awareness as commanding members of the revolution, the party and government cadres firmly vowed to devote all their energies and wisdom to accelerating production and construction with the revolutionary struggle spirit that the officers and men of the People's Army have displayed.

The current visit by the party and government cadres has become an important occasion for seeing that all functionaries, party members, and the working people live and struggle with the spirit of the arduous march under the red flag of the revolution, following the struggle spirit displayed by our heroic soldiers of the People's Army, and that, thus, they safeguard, defend, and further glorify our style of socialism.

Additional ROK Burden for LWR Project Discussed

962C0070 Seoul SISA JOURNAL in Korean
25 Apr 96 pp 70-72

[By reporter Nam Mun-hui: "'Self-Righteous' Diplomacy: Going Amiss in Terms of Both Expediency and Principle"]

[FBIS Translated Text] Opportunities to independently resolve North-South issues were missed ... and there is a threat of "recriminations" over an additional burden for the light water reactor (LWR) project.

Because of the clumsy foreign policy conduct during the general election campaigns, the possibility is getting extremely high of the ROK being saddled with \$2 billion in an additional burden for the LWR project. Facts of the alleged additional burden as reported by SISA JOURNAL in a recent series, as well as of complex dynamics in the ROK-U.S. and U.S.-North Korea relationships, are coming to light with increasing vividness as the converge of the case continues.

There seems to be no room for doubt about reports that North Korea will demand \$2 billion in an additional expense, in the Korea Energy Development Organization (KEDO) negotiations currently under way in New York. Informed sources say, tersely, that it has already been determined internally by North Korea as policy

decision. "With everything it does, Pyongyang prepares a detailed scenario beforehand. In the case of the reported additional demand for \$2 billion too, we should assume that it has a scenario in place already," says one of them.

U.S.-N. Korea Cooperating?

A Washington expert, who is deeply involved in the U.S. Government's policy decisions on the Korean Peninsula, said in an interview: "There is virtually no doubt that North Korea will demand an additional payment. It will do so without fail. Moreover, it is probably coming up with a maximum number as it expects a bargain in the negotiating process." He also points out that presently North Korea tends to link all its negotiations with the United States, Japan, and the ROK to the money matter. For example, negotiations over remains of the missing in action (MIA), held in January in Hawaii, collapsed because of a difference over amounts of money, he said. Pyongyang demanded \$4 million for the return of 127 remains against the U.S. offer of \$1 million.

ROK officials also would not deny the possibility of North Korea demanding \$2 billion in additional payment. Sources of the LWR planning team in the Ministry of Foreign Affairs, which is exclusively responsible for the project, said that "the \$4 billion in the announced LWR gross expense is only an estimate. A number of additional demands can come up in the course of future negotiations." Commenting on that position of the government, some speculate that the government perhaps had been under pressure from North Korea for an additional payment but could not afford to disclose it because of the campaign atmosphere in the legislative election. They point out that Umezaki, deputy secretary general of the Japanese side in the KEDO, who was member of a group that visited North Korea recently, already made a disclosure of the North Korean demand, and that Choe Yong-chin, deputy secretary general of the ROK side, who was also part of the same group, therefore must have been asked the same thing by the North Korean side.

Apparently, this is not the first time North Korea presents an excessive demand in the course of an international negotiation. But this time, the impact could likely be far more serious, because our side is divided considerably in the axis of cooperation. The United States, which had represented the axis of joint response, reportedly not only abandoned its will to cooperate with the ROK but also held preliminary talks with North Korea to substantial extent.

According to informed sources, it was on 23 March that North Korea officially adopted the plan to demand

\$2 billion in additional payment. This date coincides with ROK Foreign Minister Kong No-myong's 5-day visit to China, which began on 20 March. They say that the United States, then in a war of nerves with China over the Taiwan issue, was extremely displeased that the ROK, which it thought was an ally, had sent its foreign minister to China at such a delicate point of time. Others point out, however, that it is unreasonable to think that the United States would give up cooperating with the ROK, a longtime ally, just because of Kong's China visit, and that rather it is the result of frictions accumulated between Washington and Seoul since late last year, when the U.S. policy toward North Korea began taking shape distinctly.

In this connection, Hideshi Takeshita, research director of the National Institute for Defense Studies of the Japan Defense Agency, said in an interview with SISA JOURNAL, that the U.S. North Korea policy began showing its outline when Joseph Nigh, then assistant secretary of defense, referred to the need for reconsidering the policy of putting pressure on North Korea, in a speech at a Washington meeting sponsored by the Asia Society in December last year. With that speech as a turning point, the concept of soft landing emerged among high U.S. authorities involved in North Korea policy. According to Takeshita, the soft-landing concept consists of these three elements:

One: The basis of U.S. policy toward North Korea is support. Two: In the process of support, it seeks no clear-cut, prior agreement of countries concerned such as the ROK and Japan. Three: The United States holds the initiative in promoting this policy. Takeshita noted: "In the post-Cold War period the United States appeared confused awhile about its role in Northeast Asia. But now, it has established what appears to be a grand strategy and is pressing countries in the region to make their choice as to whether or not they will follow it. In respect to policy toward North Korea, the United States has begun moving under a long-range plan, with a view up to the reunification of the Korean Peninsula."

The ROK-U.S. friction since late last year could be attributed to the ROK's failure to comprehend or agree to the new U.S. strategy for the Korean Peninsula and the U.S. policy agenda as referred to by Takeshita. Especially, it is known that in respect to its policy agenda on North Korea for this year, the United States established late last year a plan to settle all pending issues by September at latest. In doing so, the U.S. Government considered such factors as Kim Chong-il's possible formal succession, and the use of the North Korea card in the November presidential election. To fulfill that agenda, it is necessary to begin in about March or April deliberations of issues pending between

the United States and North Korea, including the MIA, missile export, and liaison office issues. It is generally thought that the time required to reach an agreement in a diplomatic negotiation is 6 months.

Kim Yong-sam Uses Emissaries to Approach N. Korea

It was precisely this point that the United States had tried to bring home to the ROK side since late last year. The message, conveyed time and again, was that inasmuch as the political agenda demanded that Washington resolve diplomatic issues with North Korea with dispatch, beginning in about April at latest, it faced the need to establish cooperation system with the ROK before that. But the ROK Government, seeing an advantage in a hard-line plank in North Korea policy in its campaign for the legislative election, failed to properly respond to the U.S. request. Worse, Seoul moved at the same time to reopen the North-South dialogue—not through the United States but a third country.

A typical example was its move made through Singapore. In late February, President Kim Yong-sam made a 3-day visit to Singapore en route to the ASEM (Asia-Europe summit) meeting held in Thailand. At the time, he reportedly asked Singapore Prime Minister Goh Chok Tong to mediate North-South dialogue, including a summit. As to the reason why he picked Singapore, it probably is that among Asian countries, Thailand and Singapore had been showing vigorous moves for economic cooperation with North Korea since a person named Yi Sam-no, enjoying the confidence of Kim Chong-il, was appointed Pyongyang's ambassador to Thailand in a diplomatic blitz in the later half of 1995. In response to President Kim's request, Singapore sent an economic delegation to North Korea in March in an effort to mediate North-South dialogue. Although the development was not reported by media at the time, it was confirmed later by informed sources. Also immediately after the ASEM meeting, the ROK Government reportedly asked UN Secretary General Boutros Boutros-Ghali to mediate North-South dialogue. Foreign Minister Kong No-myong's China visit, beginning on 20 March, was the culmination of Seoul's effort to secure an independent, third-country channel with North Korea, it can be said.

Along with the search for an independent channel through a third-country mediation, the president attempted an approach to North Korea by using behind-the-scenes figures close to him as emissaries. In late December, an American named David, known to be an associate of Han Sung-su, former Chongwadae secretary general, made a secret visit to Pyongyang at the

request of the ROK side. Also, the visit to Pyongyang by Pak Yong-su, vice president of the Jinro Group, and Yi Chung-won, head of the Jinro Los Angeles branch, on 6 April was known to be part of the same effort.

It is unclear why Seoul gave up its cooperation with Washington and shifted to the through-a-third-country or entirely-independent approach to North Korea. But the problem was that the United States, taking theretofore the position of resolving issues in cooperation with the ROK, viewed the change in the attitude of the ROK Government as antinomy. Consequently, beginning in mid-March, the United States modified its position about cooperation with the ROK simply and unequivocally, making it clear that "if the ROK wishes to deal with issues with North Korea independently in the future, the United States will not be involved; likewise, the ROK shall not be involved in U.S. plans concerning North Korea." The U.S. position like this, seemingly established in mid-March, formed the backdrop for the North Korean additional payment demand in the LWR project and the U.S.-North Korea military contacts such as the missile talks.

The U.S. stand toward the LWR additional expense issue has the following two aspects. One: It precisely reflects the latest change in the U.S. position. In fact, over the LWR issue, the United States had continued to perform the role of keeping North Korea's complaints in check. As far as the LWR expense issue is concerned, unlike with other issues, Pyongyang's position is that it is taking what is due to it. Also, in respect to the amount of the compensation, its position is that it should be determined not by the payer but by the payee. North Korea, therefore, was inwardly unhappy about the amount of \$4 billion offered by the three countries—the ROK, the United States, and Japan. It seized every opportunity to express its intent to obtain a raise. But it had been unable to really press for it as the United States, which had been negotiating on behalf of the payer side, actively put a curb on it. However, as soon as it saw signs of the United States having backed away a step lately from that role of curbing North Korean demands, Pyongyang began pressing in earnest for the additional payment of \$2 billion.

The United States, taking another step forward, reportedly has shown its will to turn over to the ROK side the leading-negotiator role in the future KEDO talks. At a 19 March KEDO executive council meeting in New York, the Korea Electric Power Corporation was named to be the legal main contractor for the LWR project both in name and reality, a fact meaning that the ROK took upon itself the whole burden relating to the North Korean demands for additional payments, as well as that it has come to hold the initiative in the project.

A question also burdensome to the ROK in its current position is whether the United States will really remain an idle spectator regarding the additional expense issue. As seen in the fact that the United States and North Korea, in the process of determining the additional expense, struck a deal in a behind-the-scenes bargain on 23 March, there is a strong suspicion that as far as this issue is concerned, the United States is already cooperating with North Korea on item-by-item basis. Also, in case the ROK refuses to bear the additional burden, the possibility is high of Washington putting strong pressures on it under the pretext that there should be no breakdown of the LWR negotiations. And in an extreme case, it could pressure Seoul into giving up its leading position, saying it would have Japan meet North Korean demands. For this or that, the ROK finds itself in a predicament with no easy way out.

The LWR additional expense issue originated in the latest U.S. logic that Korean affairs should be left to the ROK to handle. Likewise, the U.S.-North Korea military contacts such as the missile talks are based on the logic that the United States shall mind its own business. Since the issue of North Korean missile exports to Mideast nations is a matter of global security, it is a U.S. task rather than a task of the ROK. All these days, however, the United States had maintained a linkage between U.S.-North Korea military contacts and North-South dialogue, citing the latter as the prerequisite for the former, for fear military contacts without the ROK's participation would invite the calamity of a peace pact negotiation. Furthermore, because North Korea was aware of the tough U.S. position concerning a peace agreement, it had been deferring the peace pact card as a mid- or long-term task. But, when the United States proposed—in a behind-the-scenes contact in March—talks on the missile issue without the precondition, North Korea took it as a good opportunity to advance its peace agreement cause. North Korea's military demonstrations at Panmunjom were also a calculated move by its authorities who perceived the change in the U.S. position.

Equidistant Diplomacy, Independent Line Leave Only Scars

We cannot but conclude that the fact that the ROK Government has shunned cooperation with the United States in North Korea issues since late last year, for whatever reasons, caused not only economic losses but huge setbacks in the delicate diplomatic games with North Korea as well. Experts observe that the current fierce international diplomatic games surrounding the Korean Peninsula cannot afford to embrace the clumsy equidistant diplomacy of the ROK Government or its emotionally-

biased independent line. A close examination shows that the Kim Yong-sam government has missed a good opportunity to resolve Korea's national issues three times since its installment. The first time: when it ignored North Korea's request for an exchange of special envoys immediately after Pyongyang's withdrawal from the Nuclear Nonproliferation Treaty in early 1993. The second time: when the chance of a summit faded because of the sudden death of President Kim Il-song. The third time: when it failed to respond wisely to the issue of a condolence call on the death of President Kim Il-song, leaving a heavier residue of hard feeling between the two parts of Korea.

While the ROK Government was adrift unable to find a correct direction of North Korea policy, the United States has fully expanded its contacts with North Korea along the line of the agreement reached at the Geneva talks, planting its feet deep in issues of the Korean Peninsula. If the ROK Government had been truly interested in resolving independently Korea's national issues, it should have found a breakthrough in direct North-South dialogue before the United States had made the structural intervention in issues of the Korean Peninsula. Now it has lost both the timing and the principle and trying in that state to go it alone in disregard of the environments that have hardened already cannot but be a diplomatically suicidal act.

ROK: Critical Gaps in Intelligence on North Korea Viewed

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[Article by Reporter Song Mun-hong: "Red Signal for Management of Intelligence on North Korea"]

[FBIS Translated Text] "There is a rumor that Song Hye-rim [Kim Chong-il's former wife] and her sister are now under the protection of the U.S. Central Intelligence Agency [CIA] after they got out of Moscow. But this is a preposterous rumor. At a time when visible moves are afoot for improving relations between the United States and North Korea, why should the CIA go out of its way to do such a thing that would work as a "drag" on the United States? And they have no fresh information to offer that may be very tempting to the United States at that... One thing we can say for sure is that the CIA is asking about the whereabouts of the Song sisters." (Words of Officer A of the Agency for National Security Planning [NSP])

"I cannot say that under whose care Song Hye-rim and Song Hye-rang are, and where they are now. Few, if any, even in the NSP know about their whereabouts." [Words of Officer B of the NSP]

The reports about the Song sisters' getaway from Moscow in the middle of this February was literally as sensational as a "nuclear blast" to the government, the press, and the general public. The story that even the ex-wife (or former cohabitant) of Kim Chong-il, North Korea's number one man in power, forsook North Korea was interesting in itself, and it also points to the possibility that the North Korean regime is on the verge of collapse. Furthermore, the reports trickled out that Song Hye-rang's son was staying in Seoul all this while. The news about the Song sisters' getaway from Moscow touched off "the war of the press" among journalists.

There mushroomed numerous follow-up stories, a jumble of "facts" mixed with "speculations" packaged together to make them sound plausible. Now, about a month later, there is practically no one who can "confirm" the traces of the Song sisters whose whereabouts has been unknown since they moved to Europe. Even NSP officials give conflicting answers.

Issues Raised by Song Hye-rim Case

However, this sensational story, which has whetted a keen "secular" sense of curiosity, has brought into focus a few issues that cannot be ignored. The two most important ones among them are: first, doubts about the competence of the NSP as an agency in overall charge of the collection, analysis, and evaluation of information on North Korea; second, journalists' insensitivity to and excess competition over the kinds of important information on North Korea that might involve national security.

In the Song Hye-rim case, the NSP is said to have followed the tail of the press instead of playing a leading "role." The NSP was left out in the cold from the beginning, when CHOSON ILBO arranged a telephone conversation between Song Hye-rang in Moscow and her son, Yi Han-yong, in Seoul. The NSP was criticized for failing to ascertain the whereabouts of the Song sisters in Europe or losing track of them after they had left Moscow. A more basic issue relates to the fact that Yi Han-yong, the only "link" in Seoul to this case, is an "unidentified defector" whose identity is kept in secret. One of the NSP staff officer said as follows:

"Actually, the NSP knew that Song Hye-rim was staying in Moscow when I brought Yi Han-yong to Seoul from Moscow. I understand that at that time the NSP discussed the feasibility of an operation to make them [the Song sisters] defect to Seoul.

"The basic question is, What did the NSP do while Yi Han-yong, an unidentified defector, was going around visiting media of his own accord. Openly identified defectors are allowed to mix up with the general public

and lead a normal life just like ordinary South Koreans after the elapse of a certain period of adjustment. But, in the case of unidentified defectors, under no circumstances should their identities be revealed. In other words, they are subject to special control with regard to their identity. But the NSP sat back and did nothing when Yi was going around revealing his identity. The NSP was completely unaware of the fact that he was contacting the press."

Starring Yi Han-yong, With NSP as Extra

Next, it is in order to discuss the awesome ability of the press which has manifested itself once again in this case. At the beginning, only three newspapers—TONG-A, CHOSON, and KYONGHYANG—knew about the existence of a person named Yi Han-yong. At the time when Yi Han-yong and Song Hye-rang [his mother] were talking to each other through an international telephone service, the NSP—which belatedly became interested in "helping" the Songs defect to Seoul—asked the press to withhold reports about this conversation until after March. This request was made out of the quite natural fear that should the conversation be disclosed before their arrival in Seoul, it might jeopardize their safety.

However, CHOSON ILBO, not to miss out on the scoop, was the first to break the news on 13 February. With the promise to withhold the news now broken, an "unlimited competition" ensued among media. Those newspapers which were left holding the bag are said to have heaped all kinds of brickbats and abuses on the NSP. The NSP was unable to bring the situation under control for a while. Said an NSP official about the situation in those days: "We cannot say it now, but as a matter of fact, we have a lot of things to say about the development and the background of the Song Hye-rim case. If there is anything we did wrong, it is that we are awkward in playing ball with our press, not in the sense of managing information on North Korea, though." Another NSP member had this to say:

"Any news about Kim Chong-il's ex-wife defecting to the South is such a serious matter that depending on its development, it could even lead to a war; to put it in another way, it could seriously impact our national security. It is doubtful whether the press is free to expose such an important matter in an ordinary country. What is more, in the climate in which the NSP is under random attack, it will be difficult for the NSP to hold fast to its principles, no matter how hard it may try to be faithful to its assigned mission, no matter how important the information it has may be."

In sum, the Song Hye-rim case is a topsy-turvy drama from beginning to end, "starring Yi Han-yong and

produced by the press, with the NSP acting as an extra," in which the producer and the cast operate and act separately with no co-ordination whatsoever. In this process, the Songs, the interested party, fell into the danger of becoming international orphans.

The Songs' defection case is the latest incident which has raised serious doubts about the NSP's ability to collect information on North Korea. Many of those watching the way this case developed have suffered a serious blow to their belief that "as far as intelligence on North Korea is concerned, the NSP is the best not only in Korea but also in the rest of the world. The NSP has earned the dubious reputation that it is "trailing behind the press" in the field of intelligence on North Korea, its inherent turf. An intelligence officer watching the process of defection by the Songs made the following interesting comparison highlighting the similarities and dissimilarities between the NSP and the press.

"The press and the NSP are very similar when it comes to the character and methods of their business of collecting, analyzing, and evaluating information. But the inherent function of the press is to disseminate processed information among the unspecified multitude, whereas intelligence organizations provide intelligence to the smallest possible number of policy makers. That is the major difference between the two. From this it follows that media and intelligence organizations had better avoid contacting each other."

It is best for intelligence organizations to keep themselves unexposed to the outside. According to the same officer, the NSP has had its operating style distorted while "collaborating" with the press unnecessarily. Quite a few "NSP professionals" complain that since the case of the Songs was brought to the open, people have become "unreasonably" more and more distrustful of, disappointed with, and critical of the NSP. After all, was the NSP's intelligence capability on North Korea over-packaged and overestimated in the past? Or does it really have serious problems?

How Intelligence on North Korea Is Produced

It is necessary to have some preliminary knowledge of "intelligence" before looking into the NSP's intelligence capability.

There are two categories of intelligence. The one is HUMINT, that is, intelligence collected by human beings; and the other is intelligence collected by means of scientific devices. Of the two, HUMINT, namely, intelligence collected by humans, is subdivided into the type of intelligence collected from open data and obtained through lawful means, and another collected through secret operations, such as unlawful and dangerous means

like espionage operations. On the other hand, intelligence collected by scientific devices may be subdivided into intelligence obtained by monitoring communications (COMINT), electronic intelligence using radar and electronic gear (ELINT), and intelligence collected by satellite photography (PHOTINT).

An examination of the contents of NSP intelligence on North Korea in each category shows that the NSP, as widely recognized, is at the top of the world when it comes to HUMINT, regardless of whether intelligence is collected through open or secret operations. One reason is that the target being the entity which poses a direct threat to us, the NSP pours so much more of its assets into its HUMINT operations. Another reason is that the ability of foreign intelligence agents is limited in terms of grasping the peculiar sentiments of the Koreans and the subtle nuances of the Korean language.

It is a common knowledge in the intelligence community that more than 90 percent of all intelligence is based on an analysis of open information. The NSP spends a lot of time and manpower daily analyzing open information collected from North Korean broadcasts and publications. For instance, the NSP tries to detect subtle changes taking place inside North Korea from the New Year's message, Kim Chong-il's instructions, and the layout and contents of NODONG SINMUN and the central broadcasting station. Debriefing of defectors is an important part of intelligence collection operations.

Nevertheless an analysis of open intelligence cannot be the ultimate means of clearly ascertaining facts. It is possible to interpret a specific development in a certain way from various circumstantial information. But information collected from a planted intelligence network, satellite photographs, and monitored communications is needed to supplement open intelligence and make a judgment in a comprehensive manner.

On the other hand, when it comes to information collected from scientific devices, the ROK relies heavily on the United States. The case in point is Operation "Olympic Games" for conducting aerial reconnaissance activities over the skies of North Korea by using "Hemmet" [phonetic], which operates Key Hole (KH) No. 9, No. 11, and No. 12 photo reconnaissance satellites; and U2R and RC-135 aircraft. Said one former NSP official: "When I was working for the NSP, I visited the U.S. tactical air control command (TACC) on U.S. Air Base. I was surprised to see the details of information provided by the TACC authorities for us on a certain construction project going on in North Korea, on which we had tried hard for long to collect information. The data we received from the U.S. officers included even a list of steel frames used. This kind of detailed intelligence was

made possible by routine satellite reconnaissance photography.

According to a usual estimate by intelligence experts, intelligence collected by means of scientific devices accounts for about 14 or 15 percent of the total amount of intelligence collected on North Korea. It has been learned that in the 1993-94 period during which North Korea's nuclear program became a key issue, we relied on the United States for a considerable portion of intelligence gathering on North Korea's nuclear development program.

However, NSP people claim that the dependence on U.S. high-tech gear is not so great as reported. According to them, only when intelligence collected by high-tech gear is combined with intelligence collected by agents is it possible to produce a reliable piece of information. Accordingly, high-tech intelligence has only secondary significance supplemental to an enormous source of human intelligence we have. An NSP official made the following comment:

"True, the United States uses high-tech gear. But the number of personnel handling information on the Korean Peninsula in the U.S. intelligence organizations is only about a dozen or so all told. To the contrary, in our country hundreds or thousands engage in intelligence work on North Korea. Basically, there is no comparison between our number and their number. We are confident that we know more about North Korea than North Koreans themselves."

But is that true? In fact, there is no concrete evidence that the NSP has played an appropriate role in the process of collecting, analyzing, and evaluating intelligence on North Korea, at least since the current government was installed. The opposite has been the case more often than not.

Weakness in Intelligence on North Korea

To cite a typical example, our government was left in the dark as far as intelligence on Kim Il-song's death was concerned. It is a known fact that our government did not know anything about the death until North Korea announced it over the radio 30 hours after Kim Il-song died. As pointed out by the press in those days, our top government officials did not know anything about what was going on in North Korea prior to the scheduled North-South summit, and this ignorance could have brought serious consequences. Upon receiving the report on Kim Il-song's death, President Kim Yong-sam hurriedly took measures that could upset North Korea, because no advance intelligence was at hand to take precautionary measures to cope with the possible aftermath of Kim Il-song's death.

This kind of shortcomings in the process of intelligence production has something to do with the NSP's "historical background." Under the old authoritarian regime the NSP and its predecessor, the Central Intelligence Organization [KCIA], had the strong character of being an instrument primarily serving for the security of the regime itself rather than national security. Therefore the NSP devoted more resources to domestic intelligence, giving more weight to it than external intelligence, including that on North Korea. With regard to manpower training, the NSP, in the judgment of intelligence experts, has failed to train on a long-term basis an expert group specializing in analyzing and evaluating intelligence on North Korea.

However, one NSP official refuted such criticism in these words:

"Because of the peculiarities of intelligence work, usually success cases are seldom known to outsiders. In most instances, a case that is exposed to the outside is a failed case. We were criticized a great deal for failing to detect Kim Il-song's death when it occurred. But in my view, obtaining accurate intelligence on a case like that is clearly beyond the scope of the resources and manpower we had in the past. I would like to emphasize that in spite of this and other failures, no intelligence organization in the world can match the NSP when it comes to intelligence on North Korea."

Chong Hyong-kun Case

In fact, it is unavoidable in some sense that there are failures and limitations in the process of intelligence production. Take the demand for "self-dependence in intelligence" voiced in some circles, for example. To achieve self-dependence in intelligence, we need to introduce American-made high-tech equipment immediately. But it is next to impossible to do so in view of the limited NSP budget and our limited national resources. When all is said and done, what is more urgent and important and feasible with regard to intelligence on North Korea is to make the best of available intelligence.

Originally, intelligence is "a means used in taking care of the targets more effectively," and national intelligence provides "basic material necessary for policy makers in making more rational policy decisions." And the basic principle governing intelligence organizations in a democracy is that the producers (intelligence organizations) and the consumers (policy-decision makers) of national intelligence should be strictly separated. In our case, under the past authoritarian regime it was a common practice for the KCIA to take part in the decision making process and went one step further to execute the decisions so made. But it is a fact that this improper practice has now been corrected.

Nevertheless the problem is that until recently some high-ranking officers in the intelligence organizations occasionally used pieces of intelligence obtained through the official channel to promote their personal interests; and that some policy makers at the receiving end of intelligence reports occasionally leaked the information, failed to make the best use of them, and in some cases, even shut out intelligence reports all together in the decision making process. Noted American journalist James Reston (deceased) once said, "The government is the only ship that leaks water from the top." Information tends to leak out from the "high level" no matter how hard working-level officials may emphasize the importance of secrecy.

The case of former NSP First Deputy Director Chong Hyong-kun, who is now New Korea Party's [NKP's] Kangso-A chapter chairman in Pusan North District, may be cited as a typical example of the public exposure by an "intelligence professional" of the intelligence he obtained through an official channel. While working for the NSP for 12 years from 1983 through February 1995, Chong, a former prosecutor, successively occupied all key posts in the branches dealing with anti-communist intelligence and domestic politics. In the NSP he successively worked as chief of the investigation bureau, legal council, chief of the investigation group, chief of the investigation bureau, chief of the planning and evaluation bureau, and first deputy director (in charge of domestic intelligence). In the 1988-1993 alone, while standing in the vanguard of anti-communist investigative operations, he took command of the investigations into these notorious cases: Mun Ik-hwan's illegal entry to North Korea, the So Kyong-won spy case, the illegal entry to North Korea by Yim Su-kyong and Mun Kyu-hyon, the Socialist Trade Union case, the Kim Nak-chung spy case, and the case of Yi Son-sil, head of the KWP central district chapter in [South Korea]. The secret NSP document "Studies on a Plan for Postponing the Elections of Heads of Local Governments" was exposed in November 1994 when he was the chief of the planning and judgment bureau [kihoek pandan kuk]. In the aftermath of this exposure, Yi ended his civil service career in February 1995.

The problem is that Chong Hyong-kun made some controversial remarks during a long interview by WOLGAN CHOSON in April 1995 shortly after he left the NSP. His interview was printed in two installments in the May and June issues of the monthly. In this connection, the author will deal on his one particular statement which ever since has haunted intelligence experts.

Said Chong in his interview: "...Because the claim that the communist espionage ring as exposed by Yi Son-sil, a spy dispatched from North Korea, is a fabrication

is so persistent that I like to take this opportunity to clarify just one point. This ring was not detected by the NSP's intelligence operations, but it came to light when a high-ranking female espionage operative of the KWP Social and Cultural Affairs Department provided secret information about it when she surrendered herself to the South in mid-August 1992. She is still under the protection of the NSP under the code name "Unhasu" [the Milky Way]."

The following is the background against which Chong made that controversial statement: The case of Yi Son-sil, the North Korean cabinet-level grandmother spy, was made public at home and abroad on Chong's initiative in October 1992 when he was the chief of the investigation bureau. The disclosure had no small effect on the outcome of the presidential election in December 1992. In this connection, the opposition party singled out Chong Hyong-kun as the mastermind behind the malicious charges of pro-communist leaning against the opposition candidate, Kim Tae-chung. Chong made the aforementioned remarks to counter this accusation against him. One retired NSP official had this to say about Chong's controversial remarks:

"I do not care what his political propensity or creed is. But I have to point out that he, who should be more concerned about the secrecy of information, revealed the name of "Unhasu" to the whole world, and this is an unpardonable act no matter what excuse he may make. Did he make that revelation to prove his innocence? Did he do it to attack somebody? If not, did he do it to lay the groundwork for becoming a NKP candidate for the forthcoming parliamentary election? There is no telling of his real motive. No intelligence expert of good standing would ever do what Chong did. The indelible unpleasant memories about Chong will long remain in the minds of the NSP personnel, particularly among rank-and-file members."

The next thing I like to point out is that basically, the NSP, as an intelligence organization for the highest policy maker and as an agency under his direct jurisdiction, is in the service of no other person than the president himself to avail him of intelligence for his exclusive use. Accordingly, depending how the president uses intelligence, the ability and status of the NSP make an enormous difference. If so, the question is, How is President Kim Yong-sam using the NSP?

NSP's Ability Depends on President

From the time he took office, President Kim showed his intention to reform the NSP and has done a lot on this score. The main features of the reform are as follows:

—Of the domestic affairs bureaus, one specializing in political surveillance and related activities was abolished, and two bureaus handling overseas affairs were merged into one.

—The four-man assistant deputy directorship was abolished, and the 22 local branches and detachments were reduced to the necessary minimum number of six.

—A large scale restructuring, including the establishment of the post of public relations officer, was carried out in May 1993.

—in December 1993 the NSP was deprived of the right to investigate cases of encouraging and admiring [the enemy cause] and cases of failure to notify the authorities of spy suspects as specified in the National Security Act.

—The right to conduct security checks on administrative organizations throughout the country was taken away.

—The NSP Law was revised to provide among others that an intelligence committee, with the full power to effectively examine the whole of the NSP budget and its implementation, shall be set up in the National Assembly.

True, these reform measures overall received an applause from the public as a step toward drastically reducing the NSP's power and tightening up controls over the NSP.

But this reform of the NSP and the effective utilization of intelligence produced by the national intelligence agencies are two different things. The reform was carried out from the standpoint of correcting the negative image in which the NSP was painted at home and abroad during the period of the authoritarian rule, and searching for changes in the role and function of the NSP in keeping with the new situation in the post-Cold War era.

On the other hand, how the president uses the intelligence organizations in the process of formulating the government policy toward North Korea can be the yardstick by which to measure how appropriately the policy is formulated and executed.

However, President Kim has not earned high marks in the use of intelligence on North Korea. This is to say that his failure to make appropriate and effective use of the NSP and the intelligence it has produced may be among the reasons why there has been so much confusion and so many snags in his North Korea policy since he took office. Examples can be found here and there in the president government's process of pushing its North Korea policy. But NSP insiders cite the process

of negotiation on the nuclear issue in the 1993-1994 period and the Beijing rice talks in 1995 as typical examples.

Speaking of the rice talks in Beijing last year, the talks were arranged through a secret North-South contact on the initiative of a certain political figure. In the process of negotiation, it was learned, the NSP and other official channels were completely shut out. As a result, during the first round of talks in June 1995, our delegation was headed by Yi Sok-chae, former deputy minister of the Economic Planning Board—a complete outsider as far as negotiations with North Korea were concerned—sat face to face with the North Korean veteran group led by Chon Kum-chol, vice chairman of the Asia-Pacific Committee. As a result, according to NSP insiders, our side suffered a "complete defeat."

Our delegation left for Beijing by air without even going through the routine process of simulated talks which our delegates customarily stage before leaving for negotiations with North Korean delegates. Said a certain figure regarding the way the subsequent rounds of rice talks proceeded: "I hear that the NSP had a hard time straightening out all the tangles made in the first round." One former NSP official made the following comment on the recent situation of the NSP:

"True, the status or role of the NSP is bound to change to a certain degree according to the presidential style. The NSP finds its most important reason for existence in the role it plays in intelligence on North Korea, and this role is a matter having direct bearing on the future of the country, transcending the interest of the powers that be. In addition, the NSP is in the position to know about the chemistry and tactics of the North Koreans better than anyone else.

"But throughout the process of negotiation [on the nuclear issue] until the Geneva accord was reached, the NSP remained in obscurity behind other ministries. During last year's rice talks in Beijing, the NSP was also left out in the cold. At a time when we needed to make maximum use of the NSP's expertise and something more, things proceeded in this way, and the government drew criticism from some circles to the effect that it seemed to be aiding North Korea because the NSP was left out in the cold while North Korea regards the NSP as its most unwieldy opponent. From the developments in recent years, I have got the impression that the present government holds the logic of domestic politics' as its paramount principle of action even where it should not use that logic."

In sum, many former NSP officials share the view that "the NSP's intelligence capability on North Korea has drastically decreased since the Kim Yong-sam

administration was installed." A former NSP official made this comment:

Politics Degrades Intelligence

"If the NSP's intelligence capability was somewhere between four or five points on a scale of 10 under the Sixth Republic, I think it is about three points now. This is the outcome of the recent NSP reform, which was concentrated on rectifying the past shortcomings rather than giving weight to the inherent role of the NSP. In addition to this superficial reform, various political factors, such as the way policy makers at the highest level perceive intelligence organizations and uses their service, dampened the morale of intelligence agents a great deal."

To put it in another way, this amounts to saying that the NSP's security consciousness has noticeably diminished. Since the present administration was installed, there have been so many instances in which the details of the process by which certain policy decisions on North Korea were arrived at were leaked out, and the NSP activities were more often than not exposed in its wake. Naturally, this has resulted in more frequent criticisms of the NSP, according to the same former NSP official. In case a policy that was adopted by the decision makers without relying on the NSP's intelligence reports failed, the NSP had to bear much of the burden of the bungle on some occasions. In other words, "politics" has degraded "intelligence."

A certain intelligence expert said, "the perception of intelligence on the part of our people, including the policy makers, is at a very low level." He then offered his analysis. According to him, the perception of intelligence on the part of the majority of people, including the highest policy-decision maker, is so weak that they do not know how to handle intelligence. For the same reason, he says, "rumor mongering" is more rampant in our society than anywhere else in the world.

Said the same intelligent expert: "Let's take some foreign country where the right perception of intelligence is part of life, as an example. At a reception abroad, one of our intelligence official accosted his counterpart from the host country. Watching them at a distance, an intelligence supervisor of the host country approached them while the two were talking to each other. The supervisor said to his junior officer, 'Do you know whom you are talking to now? You should be careful because this gentleman is on the same kind of job you have.' He said that in the face of our intelligence officer. Such an anecdote is unthinkable as far as our customs are concerned."

"Here is another example. A retired U.S. general completed the manuscript of his memoirs for publication. The manuscript was subject to censorship by the pertinent intelligence authorities under the security regulations. When this part was omitted and that part struck out, very little was left of the original. The general finally had to give up his plan to publish the book."

Another intelligence expert told the following story:

"In my opinion, the problem in our case is that the concept of 'security' is too broad. This, I think, is most probably an outcome of the era under the authoritarian rule. Even minor matters are included in the all-inclusive concept of security, with the result that matters which must be kept tightly in secret leaked out sometimes... Under these circumstances, reporters are apt to make speculative reports..."

"In the United States there is what they call 'deep background briefing.' In this briefing, an intelligence agency or a pertinent administrative department gives a full background briefing on a particular issue to a selected group of journalists under a specific condition. The U.S. government use this kind of briefing when it wants to sound out the press on a policy which is yet to be announced, or when it wants to give a hint to foreign countries. In my opinion, this kind of briefing session is a deal among the professionals seeking their respective interests under the major premise of national interests. In most cases in our country, intelligence is conveyed from person to person according to personal intimacy."

Gap Between Theory, Practice

Now let us turn to the subject of the intelligence capacity of our society on the whole and examine it from a long-term point of view. For lack of a proper name, I call it a "feedback study."

Our experts on North Korea may be divided roughly into two categories. One is the group of officials in charge of North Korean affairs in the NSP and the armed forces; the other is the group of scholars in government and private research institutes. Government experts in charge of North Korean affairs are rich in experience and expertise because they have specialized in the single subject, that is, North Korea, for a long period of time in their career. They have a better knowledge of the actual situation in North Korea than anyone else. But their analyses lack comprehensive theories and logic.

On the other hand, scholars studying North Korean affairs are stronger in methodology, but not much of material necessary for analysis is available to them. For instance, when a government or private research organization wants to obtain necessary information from

a defector, it has to spend a lot of time and effort to negotiate with the concerned authorities in advance.

In brief, there are no appropriate channel of exchange and division of the role between the group of government watchers of communist activities on the one hand and the group of scholars on the other. Government officials in the field of anti-communist intelligence operations are chary of dispensing intelligence for security reasons, and scornful of the scholars, saying, "What do they know about North Korea?" On the contrary, the scholars criticize government officials for "disclosing, interpreting, and using intelligence as necessary by their own discretion while monopolizing it."

In the Cold War era the United State made every possible effort to look into the closed society of the Soviet Union. To cultivate the ability to predict the way the Soviet leadership would behave in time of war, the U.S. intelligence authorities used all means beyond imagination, and people called the field of this endeavor "Kremlinology." Our situation urgently calls upon us to conduct more scientific and systematic study of North Korea, a branch of study which may be called "Pyongyangology." But as things stand now, there will be little progress on this score. Shortly after Kim Il-song died, most of the experts on North Korea appeared on media to say something about North Korea. But very few presented a logical and well founded perspective. This is precisely indicative of the present level of our North Korean studies.

When we we classify intelligence on North Korea into very important information bearing on national security and something less important than that, wouldn't it be better to exchange at least the second category of information between the government intelligence authorities and private scholars so that information on both sides may supplement each other?

Second and Third Yi Han-yong Always Possible

The last point I like to make with regard to the intelligence ability of the intelligence organizations on North Korea concerns the way the defectors are handled. The number of North Korean defectors until now since liberation is said to be more than 700. A considerable number of them defected to the South in the 1940-1950 period, the early years following the division of the country. There are some undisclosed defectors like Yi Han-yong, Song Hye-rang's son.. "The routes they took to enter the South, along with their identities, are kept in secret." The annual number of defectors had been small until the early part of the 1990's, but it began to rise sharply beginning in 1993. The number was somewhere between 80 and 90 in 1993, over 110 in 1994, and 70 or more in 1995.

Recently, there were holes in handling these defectors on several occasions. In Yi Han-yong's case, the NSP did not know that he was going around contacting the press. This aggravated the situation. In another case, which is different in nature from Yi's case, defector Kim Hyong-tok stealthily boarded a Chinese freighter at Incheon Harbor on 3 March in an attempt to smuggle himself back to North Korea, but his plot was aborted and he was taken into custody. Kang Myong-to, son-in-law of North Korean premier Kang Song-san, stirred controversy when his attempt to smuggle out foreign currency was detected.

The problem is that there is practically little follow-up control of these defectors. They have played the role of a "treasure chest" of information on North Korea, accounting for the bulk of information collected by the intelligence agencies. In other words intelligence agencies have been able to obtain basic information from the defectors. That is why the higher the position of a defector in terms of access to important information, the better the treatment he or she received. This practice still continues.

But when defectors are completely debriefed, the intelligence agency finds no further use for them. Once the debriefing of a defector is completed, intelligence agencies are indifferent to this defector. That is why there is the ever present possibility that there will be a second and a third Yi Han-yong. In the cases of undisclosed defectors, each of them must have had his or her peculiar circumstances which demanded the secrecy of their identities. Accordingly, it is surmised that when their secrets came to light, the impact on society will be far grater than in the cases of open defectors.

When we view problems involving North Korean defectors in broader perspective than from the simple point of view of intelligence on North Korea, these problems have much to suggest to us in terms of preparing for the days when the country is reunified. A government official studying North Korean affairs made the following comment:

"Social-psychological studies of defectors can be an important field of study in preparation for reunification and particularly in relation to the question of how North Koreans will react when they are assimilated to South Korean society after the country is reunified. This is because the observation of the way each defector adapts himself or herself to our society enables us to anticipate various developments that are likely to take place when the county is reunified, and to prepare countermeasures in advance. However, in this field there are only piecemeal researches done by some scholars, and there have

been practically no full-fledged discussions or studies at the government level.

Pull Out of Morass of Confusion

Currently, brisk arguments are going on everywhere in the world regarding the new function and role of intelligence organizations in the post-Cold War era. With the collapse of the socialist system in the latter part of the 1980's, there has arisen the strong argument that the reason of existence for intelligence organizations has decreased a great deal; and intelligence organizations in various countries have been taking great pains to find new fields of operation, such as economy, terrorism, and drugs, in an effort to find their new reason of existence.

In our case, the situation is somewhat different. Whether we continue to regard North Korea as the principal enemy or as the partner we need to embrace in preparing for reunification, intelligence on North Korea is bound to have vital importance to us in the future. When the NSP is reborn as an intelligence agency in "the normal sense of the words" and sheds the dubious reputation it earned in the days of authoritarianism that it was an instrument for securing the authoritarian rule, then and only then will the importance of its role increase rather than decrease.

In order for the NSP to become an intelligence agency with an eye toward the period of reunification, it will have to negotiate mountains of difficulties. And the man who spurs on the NSP in scaling these mountains is none other than the president of the ROK. The NSP should cast off its old shell, and the president should pull himself out of the morass of confusion as soon as possible.

In the United States there is a popular novelist, Tom Clancy by name, whose spy novels are among the best sellers. He wrote the spy novel "Red October" several years ago, creating an enormous sensation. The novel describes the reaction of U.S. intelligence authorities and the military operations under a global emergency confronting the United States. They say that the U.S. president was so infatuated by the vivid descriptions in the novel that he invited the author to dinner. American intelligence experts claim that the novel contains a Class 1 state secret, and that looking for that secret is also a secret.

The American CIA makes public more than 80 percent of the information it obtains. This circumstance must have allowed a novelist like Tom Clancy to write such a novel. We should learn something from the United States, where things go smoothly in spite of its openness.

Burma

Burma: Suu Kyi Assails Junta 'Restrictions on Democracy'

BK1506122796 Hong Kong AFP in English
1217 GMT 15 Jun 96

[FBIS Transcribed Text] Rangoon, June 5 (AFP) — Opposition leader Aung San Suu Kyi Saturday assailed the ruling junta's latest "restrictions" on democracy as she called for Burma's people to play a greater role in politics.

Addressing an estimated 4,000 people outside her compound, she said her National League for Democracy (NLD) had sent an official letter to the junta on its latest law effectively banning such meetings.

"The NLD regards the law as being prohibitive and has told the authorities that it would be detrimental to national reconciliation if it is either misused or misinterpreted," Aung San Suu Kyi said.

"We are all for it if it is interpreted in the right way ... but if it is deliberately misused against us, it will in no way be conducive to peace and stability," she said. She gave no details of the NLD letter.

Genuine democracy could be established only if steps were taken to encourage the people to take part in politics, Aung San Suu Kyi held.

"In this regard, the NLD feels that present restrictions should be gradually reduced and concrete steps taken leading toward democracy," she added.

Authorities again ignored the weekend meeting, although the official press has been fanning public sentiment against Aung San Suu Kyi, calling her a "foreign stooge."

The pro-democracy leader dismissed the press articles, saying: "Smear campaigns against us do not encourage national reconciliation.

Burma: Suu Kyi Criticizes Pro-Government Mass Rallies

BK1606162596 London BBC in Burmese
to Burma 1345 GMT 16 Jun 96

[Report by Marcia Poole]

[FBIS Translated Text] Daw Aung San Suu Kyi criticized the pro-government mass rallies during her public address in front of her house today. This has been reported by Marcia Poole, head of the Burmese section. Despite a heavy rain in Rangoon today, more than 4,000 supporters came to listen to a public address by Aung San Suu Kyi and NLD [National League for Democ-

racy] party leaders U Tin Oo and U Kyi Maung. The authorities did not interfere, and the public speech ended peacefully. The government, however, continues to instigate and oppose Aung San Suu Kyi and the NLD.

Lieutenant General Khin Nyunt yesterday warned that the military will not tolerate a group that views the government's efforts with a negative outlook and demands that foreign companies stop investing in Burma. He did not use the name, the NLD, but said the SLORC will not accept having the path to a peaceful and modern nation disturbed by a group.

Today, Aung San Suu Kyi—who has been continuously attacked in the state-controlled newspapers—talked about the government-organized mass rallies being held in some big cities since last month. She said the chanting of slogans at the rallies—that we have to attack and annihilate the enemy—can damage the stability of the state and community peace and tranquility. She added that people who come to the public address in front of her residence never shout such slogans, and she does not want to support the chanting of such slogans because it would tarnish the prestige of the country.

(?Chanting slogans) at pro-government rallies attended by thousands of people is nothing new. The people who attend the mass rallies and diplomats in Rangoon have said that officials issued an order that at least one person from each household must attend them. Foreign journalists are not really interested in the pro-government mass rallies, but the analysts said the rallies are held to compare the support given by the people—who are coerced and unenthusiastic about attending them—and people who are attending Aung San Suu Kyi's joyful public address.

Burma: Bus Drivers Demand End to Suu Kyi's Weekend Addresses

BK1706094296 Rangoon MYANMAR ALIN
in Burmese 16 Jun 96 p 8

[Letter to the Editor]

[FBIS Translated Text] Prevent and Take Action Against the Saturday and Sunday Public Lectures on the University Avenue Road:

Sir: There is traffic congestion between the Inya Myaing and Kokkaing bus stops, which are on the No.42/45 passenger bus route. This is because people who come to the Saturday and Sunday public lectures on the University Avenue Road do not follow the traffic regulations and double park on both sides of the road. We are disturbed because this leaves just a very narrow path upon which our cars to travel. Four lanes of the road are already occupied, forcing us to must pay extra

attention while driving, in order to avoid hitting people. During these lectures, the people do not walk on the pavements but instead walk down the middle of the road, blocking it. In addition, they are hostile to the drivers. We have to be very careful in our driving. Sometimes people and cars intentionally get involved in accidents in order to claim compensation. If there is an accident, we know that action will be taken against us and that our family life will be devastated. For security sake, and to avoid accidents, we would like to ask the respective authorities to lawfully prevent and take action against the undisciplined Saturday and Sunday public lectures that are not in accordance with the law.

Signed: Drivers of the No.42/45 passenger bus line

Burma: Source: Military Junta Prepares Arrest Warrant for Suu Kyi

OW1906031096 (Internet) Mainichi Shimbun AULOS
WWW in Japanese 19 Jun 96

[From the "News" Link]

[FBIS Translated Text] The Myanmar [Burmese] military regime, the State Law and Order Restoration Council (SLORC), prepared a warrant of arrest for Secretary General Aung San Suu Kyi of the major opposition party in the country, the National League for Democracy (NLD), on 18 June. It is very likely that Suu Kyi will be imprisoned this weekend. This was revealed by an informed source in Tokyo on the evening of 18 June.

With this warrant of arrest, the relationship between the military regime and NLD will enter a critical stage. If the military junta indeed takes Suu Kyi into custody, there will certainly be an outrage in the United States and in other countries in the world against the SLORC. Tension will heighten in the Burmese situation.

According to this informed source, it is not clear under what charges Suu Kyi will be arrested. It is believed that this will be under the new law aimed at restricting NLD activities, which outlaws the NLD as a "political party disrupting national security and order," and authorizes the detention of party members.

Suu Kyi is expected to be detained at the Insein Prison. There are reports that a "VIP room" for special prisoners has been built in the women's ward in Insein.

The NLD, which demands the abolition of the military regime and democratization, is engaged in a bitter confrontation with the SLORC in Burma. Suu Kyi has not compromised even after the new law was enacted. She intends to continue the weekend mass meetings in front of her house in Yangon [Rangoon].

If Suu Kyi is arrested, the United States is very likely to take a tough stand, which may include the imposition of economic sanctions. It is expected to ask Japan and other nations to follow suit. The Southeast Asian nations, which have so far adopted a "constructive involvement policy" under the principle of "non-intervention in internal affairs," may also reconsider their policy. A decision has recently been made to accept Burma as a new member of the ASEAN Regional Forum (ARF). However, if Suu Kyi is arrested, Burma's ARF membership may be reconsidered.

Burma: Amnesty Reports 8 Detentions, Including Suu Kyi Aide

BK1906043296 Hong Kong AFP in English
0406 GMT 19 Jun 96

[FBIS Transcribed Text] BANGKOK, June 19 (AFP) — Burma's military rulers have detained eight more opposition supporters, including a close aide to pro-democracy leader Aung San Suu Kyi, Amnesty International said in a statement received here Wednesday.

The fresh detentions boosted the number of opposition activists still believed held to as many as 151, with 154 confirmed released, the statement said, adding that the London-based human rights watchdog feared for the detainees' safety.

The latest detainee was a bodyguard to pro-democracy leader Aung San Suu Kyi, San Hlaing, who has not been heard from since the evening of June 13, the statement said.

Authorities had not yet acknowledged San Hlaing's detention, according to a source close to the opposition National League for Democracy (NLD), reached by telephone from Bangkok.

"They still haven't told us anything. So we are really worried about him," the source said. "Anything can happen."

He was among some 15 members of the inner circle surrounding Aung San Suu Kyi who had been sleeping in her family compound in order to avoid a perceived threat of arrest in their own homes at night, the source said.

NLD figures showed a total of 273 opposition supporters had been detained since a month ago when Burma's military rulers launched a swoop ahead of a planned NLD party congress, and 154 of them later released, the source said.

Amnesty said the latest wave of detentions also included four men — Khin Maung Thaung, Kyi Aung, Tin Maung Aye and Kyaw Htway — reportedly arrested for

possessing a critique of the government-sponsored national constitutional convention by the Burma Lawyers' Council, an expatriate opposition group.

Three others — Kyaw Thuang, U Pwar and Aung Kyi — were believed held for possession of political letters and material from illegal organizations, Amnesty said.

Burma: Japanese Paper: Suu Kyi's Arrest 'Likely' This Week

OW1906000496 Tokyo KYODO in English
2317 GMT 18 Jun 96

[FBIS Transcribed Text] Tokyo, June 19 KYODO — Myanmar's [Burma] military government is likely to arrest pro-democracy leader Aung San Suu Kyi possibly later this week, a Japanese national daily reported in a front-page story Wednesday [19 June].

The MAINICHI SHIMBUN quoted sources in Tokyo as saying the ruling State Law and Order Restoration Council (SLORC) has already prepared an arrest warrant for Suu Kyi, who heads the National League for Democracy (NLD).

While no explanations have been given for the likely arrest, the sources believe SLORC's recently passed law to outlaw any political movement against the government will be applied to Suu Kyi, who turned 51 on Wednesday.

If Suu Kyi is arrested, the tensions between SLORC and the NLD will deteriorate further, and it is certain that other nations, led by the United States, will mount their criticism against SLORC by invoking economic sanctions and other means, the paper said.

Burma: Aung San Suu Kyi Interview Reported

MS1906104896 London INDEPENDENT in English
19 Jun 96 p 9

[Report by Thomas Caleb, including interview with Aung San Suu Kyi; in Rangoon, date not given]

[FBIS Transcribed Text] All his star charts and astrolabes failed to warn the official soothsayer used by Burma's generals of the horrendous gaffe he was about to commit.

Members of the ruling junta had gathered for the consecration of a Buddhist pagoda in Mandalay and the astrologer, Myaung, was down in a freshly dug hole, calculating the exact, auspicious moment when the foundation stone was to be laid. Finally, he called up to the generals: "Respected sirs, the time has come for you to leave your seats and step down."

As they rose decorously, a titter raced through the crowd. The Burmese have an ear for puns and Myaung's

command was interpreted to have a double meaning: he was ordering the junta to resign and restore democracy. The generals were unamused: Myaung was demoted and now peddles horoscopes. Whatever divinations he may now be making about the regime, he keeps to himself.

It is not a matter he dares to share with foreign visitors. Yet in a country obsessed with horoscopes and numerology, talk in the Rangoon market-places is of shifting planets over the next two months which will usher in big political changes.

But instead of star-gazing, the Burmese have to glance no farther than down a certain street in Rangoon — University Avenue, home of the opposition leader and Nobel Peace Prize winner, Aung San Suu Kyi, to reach the same conclusion.

She and her pro-democracy supporters are on a collision course with the junta, known as Slorc (the State Law and Order Restoration Council). Editorials in the military-run press vilify her as a "puppet princess" and "sorceress" unleashed against Burma by Britain. Many Burmese brush aside these accusations of Britain's colonial ambitions as ridiculous, they also find the slurs against Ms Suu Kyi to be repugnant.

At her rally last weekend, she cautioned some 6,000 supporters not to become angry over insults slung at her by the military press.

She told the Independent: "The Slorc say that we are provocative but look at the articles that appear in their newspaper. It tells more about them than me." In the house beside the lake where she spent six years under house arrest, Ms Suu Kyi spoke of her latest showdown with Slorc, which has passed a law that threatens her and her supporters with up to 20 years' jail for attending one of her pro-democracy rallies.

"We're flexible. May I suggest that Slorc try some friendly persuasion with us instead of using the hammers," she suggested. More than 120 members of her National League for Democracy (NLD) have been under arrest since last month when Ms Suu Kyi called a party congress to draw up a new constitution. It was after this "provocation" that Slorc lashed back with draconian new laws.

"We're committed to preparing a draft constitution but we're down to earth. That means we don't have any intention of writing a constitution and shoving it down people's throats," she said. Pro-democracy activists want to reduce to military's sway over future civilian governments. Since her release from detention in July the junta has snubbed Ms Suu Kyi, who realises that she could face re-arrest.

"It's a possibility. Maybe the Slorc is just biding its time. But even if I'm arrested, we'll continue our work for democracy. These threats are nothing new to us," she added, laughing.

After seeing how many of her supporters defied the Slorc's ban on her rallies, many Western observers in Rangoon predict that putting Ms Suu Kyi back in detention could lead to public unrest, which she opposes. She said: "I'd like to think that even without me, people would find a safe but effective way of carrying on our movement."

Many Rangoon diplomats claim that if the junta were to lock up the Nobel Peace Prize winner again, many countries which were willing to overlook the army's ugly traits — its widespread use of forced labour, its corruption and its human-rights violations — might withdraw their investment.

Since 1990, Burma's generals have only managed to attract \$800m (\$50m pounds) in investment, far less than their neighbours.

Ms Suu Kyi has hesitated on calling for fullscale international sanctions against the Slorc, since this would hurt the Burmese, who are among Asia's poorest people.

"When you look at our country, do not just see it as a land of economic possibilities ... Understand that we also want to live peacefully," Ms Suu Kyi explained to foreign businessmen recently. The economy is so mis-managed that even though Burma is one of the region's biggest rice producers, little boys at the Rangoon river docks trail after the stevedores, hoping to catch a few falling grains of rice from leaky sacks.

And now she says wistfully: "Maybe the Slorc doesn't understand that they have nothing to lose in talking to us. But perhaps they're too attached to all their medals and other trappings."

Burma: Report Says Two Shan Political Party Members Arrested

BK1806112396 (Internet) BurmaNet News in English
17 Jun 96

[Report by Shan Herald Agency News, dated 1 June]

[FBIS Transcribed Text] On May 21, 1996, at about 2030 hours, members of the SLORC's [State Law and Order Restoration Council] MIS (Military Intelligence Service) arrested an important person belonging to the SNLD (Shan National League for Democracy) Sai Pah — an EC [Executive Committee] member — at his house in Taikkyi Township not far from Rangoon in Burma proper.

On the same day in Shan State the MIS also arrested Sai Khun Pang (SNLD representative of Pang Long township) in the town of Pang Long.

This was during the time when NLD [National League for Democracy], led by Daw Aung San Suu Kyi, was preparing and attempting to hold its first Party Congress.

Only two members of SNLD are known to have been arrested by SLORC so far. This news has been confirmed by four five other sources though no one was sure about the reasons of the arrests. But just before the events, some high-level members of SNLD had been visiting Daw Aung San Suu Kyi and NLD and some guessed this could have been the cause.

The bizarre thing is that this news has not come out in any newspapers or broadcasting stations like BBC and VOA etc. Perhaps it was too small and insignificant in comparison with news about Daw Aung San Suu Kyi and NLD.

In the 1990 General Election, the SNLD party won 23 seats for its representatives, second only to the NLD in the whole of Burma, and first in Shan State.

Burma: Rally To Denounce 'Destructionists' Held in Putao

BK1506123296 Rangoon TV Myanmar Network
in Burmese 1330 GMT 14 Jun 96

[FBIS Summary] A rally to support the State Law and Order Restoration Council's [SLORC] constructive national development works and to denounce "destructionists" was held at the People's Sports Grounds in Putao on 3 June. The rally was attended by more than 12,500 people from Putao and Machambaw Townships.

During his address at the rally, U Win Kyi, a Burmese national who acted as chairman of the mass rally and who is also an officer of the District Information and Public Relations Department, praised the SLORC's hard work and achievements in the political, economic and social sectors. He says: "We all welcome and honor the SLORC's undertakings for the stability and all around development of the state." In conclusion, he says: "Let's denounce, attack, and destroy those who are: causing disturbances and destroying state stability, community peace and tranquility, and the prevalence of law and order; obstructing and disturbing the all around development of the state; the minions who rely on external elements and dishonor the race; destructionists who are interfering in the internal affairs of the state."

After the chairman's address, U In Pong Tan, a Lawan national and an officer of the Township Cooperative Department, introduced a motion to support the SLORC's

constructive national development works and to denounce "all destructionists" who are opposing and destroying the achievements and progress of the state.

The motion was endorsed by: Daw Swe Kya Swan, a Taing Hkanti national and a teacher of the Basic Education High School in Putao; Daw Laphi Kya, a Lisu national who is also a teacher; and the people attending the rally. The rally ended with the chanting of slogans.

Burma: Rallies Denouncing 'Destructionists' Held in Mogaung

BK1906122296 Rangoon TV Myanmar Network in Burmese 1330 GMT 18 Jun 96

[FBIS Translated Summary] A rally attended by 35,000 people was held in Kachin State's Mogaung Township on 4 June to express support for "constructive national development works and to denounce destructionists."

Speaking at the rally, Dr. Yin Nyein, presiding chairman of the rally, praised the "unprecedented success in maintaining national stability and prevalence of law and order" due to relentless work carried out by the State Law and Order Restoration Council [SLORC] since its assumption of state responsibilities in 1988. He also noted "collaboration between the state and former indigenous armed groups in carrying out regional development works," and praised progress achieved in transport, communication, health, education, commercial, and economic sectors and endeavors of the SLORC for emergence of a peaceful, modern, and developed nation according to its set social, economic, and political situation.

Dr. Yin Nyein said destructive elements, envious of the prevailing national progress, peace, and stability, are "striving to create unrest and instability and hamper progress in the country," and he called on the patriotic national people to "ostracize, oppose, and remove" these elements and "to support constructive endeavors of the SLORC's national construction tasks and to denounce destructionists."

Following the chairman's address, Daw Khin Myint, township education officer, introduced motions supporting the constructive endeavors of the SLORC and denouncing the destructionists. The rally ended with the supporters chanting slogans after the motions were passed.

Burma: Mass Rally in Tharrawaddy Supports SLORC Activity

BK1706103296 Rangoon TV Myanmar Network in Burmese 1330 GMT 16 Jun 96

[FBIS Translated Summary] The television carries a 19-minute recorded report on a mass rally at the No. 1 People's Sports Grounds in Tharrawaddy on the morning of 4 June to support the State Law and Order Restoration Council's [SLORC] constructive national developments works and to denounce "destructionists." The rally was attended by more than 56,000 people from Tharrawaddy, Letpadan, Monyo, Minhla, Okpo, Zegon, Natalin, and Gyobingauk Townships.

During his address at the rally, Dr. Kyaw Win, a senior medical doctor from Tharrawaddy District, hails the SLORC's achievements in building infrastructure and national consolidation, improving social aspects, and holding the National Convention for the emergence of a peaceful multiparty democratic nation.

Kyaw Win says: "While the SLORC is working hard for the emergence of a peaceful multiparty democratic nation, a group of people who crave power are creating unrest, are working to crush and tear down the attained achievements in the economic, educational, and health areas, and are reviving the anarchic disturbance like in 1988. You know who these people are. These people obediently follow orders from their foreign advisers and are making our country face problems."

In conclusion, he says: "I urge respectable people to denounce the acts of this group of people, who are power-craving minions and national traitors, and to oppose and ostracize this group."

After Kyaw Win's address, Daw Khin Khin Nwe from Alepaing Ward in Tharrawaddy Township proposed a motion to support the SLORC's constructive national developments works and to denounce "all destructionists" who are opposing and destroying the progress of the state. The motion was endorsed by U Min Maung from Sebingon Ward, Thonze in Tharrawaddy Township; Daw Swe Swe Tint from No. 4 Lane, Kwetthit Ward in Tharrawaddy Township; and by the people attending the rally. The mass rally ended with the chanting of slogans.

Burma: Pro-SLORC Rally Held in Muse 5 Jun

BK1806112296 Rangoon TV Myanmar Network in Burmese 1330 GMT 17 Jun 96

[FBIS Translated Summary] The television carries an 18-minute recorded report on a mass rally attended by more than 32,000 people at the People's Sports Grounds in Muse on the morning of 5 June to support the State

Law and Order Restoration Council's (SLORC) constructive national developments works and to denounce "destructionists."

U Sai Maung Sein from the Muse South Ward acted as chairman of the rally. Addressing the rally, he noted that the SLORC is a military government and is steadily striving for the "establishment of a new modern developed nation" in accordance with its objectives. He reiterated the developments in the socioeconomic sectors and applauded SLORC's achievements. He said: "Some power-crazed politicians are creating unrest similar to the 1988 disturbances to gain power by a shortcut." He noted: "We cannot stand idly by and let that disastrous situation happen." He next said: "We must consider all destructionists as our enemy and annihilate them and cooperate with the government for the development and stability of the country."

After the chairman's address, U Sai San Moe from the Muse Fourth Ward proposed a motion to support the SLORC's national constructive development works and to denounce "destructionists." The motion was seconded by Daw Win Khaing, a high school teacher, and the people attending the rally. The rally ended with the supporters chanting slogans.

Burma: Entrepreneurs Denounce 'Destructionists' in Rangoon

*BK1606124996 Rangoon TV Myanmar Network
in Burmese 1330 GMT 15 Jun 96*

[FBIS Summary] Burmese entrepreneurs held a ceremony to express their "desire" at the No. 1 Thuwanna National Sports Stadium in Rangoon this morning. At the ceremony, the Burmese entrepreneurs introduced and endorsed in unison a motion to denounce, oppose, and ostracize "all destructive elements" who are obstructing and disrupting Burma's "increasing" economic development.

During his address at the ceremony, U Thein Tun, chairman of the ceremony and vice chairman of the Burma Chamber of Commerce and Industries, noted Burma's history; the introduction of a market-oriented economic system in 1988; the State Law and Order Restoration Council's introduction of state-owned cooperatives, joint ventures, the private sector, business laws, and new banks; the positive economic development in the country; and increasing investment in the country.

He then says: "You can see foreign investment is also increasing daily. It is very encouraging to see that domestic investment has increased from 7,296 million kyats in 1988-89 to 48,370 million kyats in 1994-95. If we look at foreign investment, a total of 17,627.7 million kyats has been invested in 130 enterprises from

18 countries, including the United States, England, France, Canada, Australia, and so on. Among foreign investors, England has invested 3,877.5 million kyats in 10 enterprises, and it has the largest investment in Burma. Thailand has the second largest investment in Burma and has invested 3,103.5 million kyats in 26 enterprises. France has thus far invested 2,790 million kyats. Singapore has invested 2,151.6 million kyats, and it is the fourth largest investor, while the United States is the fifth largest investor at 1,598 million kyats. The countries that have invested more than 500 million kyats in Burma are Australia, Hong Kong, Japan, Malaysia, Korea, and the Netherlands. These figures represent foreign investment up to 1994-95."

U Thein Tun then explains the number of licenses issued to local and foreign companies, the return of the jungle-based armed groups to the legal fold—including Khun Sa's Mong Tai Army; the SLORC's efforts to develop the country's infrastructure and its economic achievements; and political, economic, and social objectives.

He adds: "Today we can see that the internal and external destructionists are conspiring and working hand in hand to destroy the all-around stable and peaceful development conditions. We will never allow the stability, peace, tranquility, and development of the state to be affected. Either from the personal or national point of view, we do not desire any act that creates a disturbance and destroys the state."

In conclusion U Thein Tun says: "Let us join hands together with the national races and people to denounce, oppose, and ostracize all the internal and external destructionists who are affecting, disrupting, and destroying the achievements, economic development of the state, and peace and tranquility of the people."

After the chairman's address, Daw Sein Sein, chairperson of the Association of Burmese Women Entrepreneurs, proposed a motion to denounce, oppose, and ostracize "all destructive elements" who are obstructing and disrupting Burma's "increasing" economic development. The motion was endorsed by U Tin Maw Thein, chairman of the Burma Fisheries Association; Daw Thet Yi, chairperson of the Mingala May Women Development Cooperative Society; and by entrepreneurs attending the ceremony. The ceremony successfully ended with the chanting of slogans.

Burma: Thai Industry Minister Visits; Bilateral Accord Signed

BK1806023096 Rangoon Radio Myanmar in Burmese 1330 GMT 17 Jun 96

[FBIS Translated Text] At the invitation of Energy Minister U Khin Maung Thein, a Thai industry delegation led by Industry Minister Mr. Chaiwat Sinsuwong and 35 members, including departmental heads from the Petroleum Authority of Thailand, PTT, and PTT Exploration and Production Public Company Limited, arrived at Yangon [Rangoon] International Airport via Thai Airways at 0930 today for a three-day visit.

The visiting minister and party, accompanied by the Thai ambassador, paid a courtesy call on Energy Minister U Khin Maung Thein at the latter's office at 1030. They held cordial and frank talks on bilateral cooperation and investment opportunities in the energy sector.

After the meeting, both sides signed a bilateral agreement on the Yetagon offshore natural gas project.

Energy Minister U Khin Maung Thein hosted a dinner for the visiting Thai minister and delegation at the Yuzana garden hotel at 1900.

[A later report during the 1330 GMT newscast also highlights the Thai industry minister's visit.

The report says: "General Maung Aye, vice chairman of the State Law and Order Restoration Council [SLORC] of the Union of Myanmar [Burma], deputy commander in chief of the Defense Services, and army commander in chief, received the visiting Thai industry minister, Mr. Chaiwat Sinsuwong, and delegation at the Zayyarthiri Defense Services Hall at Konmyinthar at 1400 today.

"Also present were Lieutenant General Khin Nyunt, SLORC secretary-1; Lt. Gen. Tin U, SLORC secretary-2; Energy Minister U Khin Maung Thein; Major General Khin Maung Than, chairman of Yangon Division Law and Order Restoration Council; and Yangon military command commander; Deputy Foreign Minister U Nyunt Swe; Protocol Department Director General Thura U Aung Htet; and Thai Ambassador Mr. Poksak Nin-ubon."

Burma: Delegates Leave for Regional Border Meeting in Thailand

BK1906022596 Rangoon Radio Myanmar in Burmese 1330 GMT 18 Jun 96

[FBIS Translated Text] This morning, a 25-member Myanmar [Burmese] delegation led by Major General Ket Sein, commander of southeast military command, and Maj. Gen. Tin Htut, commander of eastern military command, left for Thailand by special military aircraft

to attend the 13th Myanmar [Burma]-Thai Regional Border Committee meeting.

The delegation was seen off at the airport by Lieutenant General Tin U, secretary-2 of the State Law and Order Restoration Council; Adjutant General Lt. Gen. Win Myint, Quartermaster General Lt. Gen. Tin Hla, Maj. Gen. Khin Maung Than, commander of Yangon [Rangoon] military command; Deputy Foreign Affairs Minister U Nyunt Swe, and responsible personnel from the defense and foreign ministries.

Cambodia

Cambodia: Hun Sen, Malaysia's Mahathir Reportedly Held Secret Talks

BK1806135896 Phnom Penh PHNOM PENH POST in English 14-27 Jun 96 p 6

[Report by Imran Vittachi]

[FBIS Transcribed Text] Second Prime Minister Hun Sen, during a recent trip to Singapore, flew to Kuala Lumpur for secret talks with Malaysian Prime Minister Dr Mahathir Mohammad.

In an apparent bid to reassure the Malaysians that their business interests in Cambodia are safe, Hun Sen flew there from Singapore on June 6 for a dinner engagement with Malaysia's elder statesman.

Hun Sen spent a few hours in the company of Mahathir, then flew back to Singapore on the evening shuttle, according to a Malaysia-based source close to Ariston Sdn Bhd, the Malaysian firm slated for a \$1.3 billion development of Sihanoukville.

"He was asked to go there to reaffirm faith of Malaysians in their Cambodian investments," said a close observer of Cambodian relations with ASEAN neighbors.

The Ariston source, when asked whether company chief Dr Chen Lip Keong met Hun Sen, would only say that Chen had been "at the office all day."

In Phnom Penh, Malaysian Embassy officials said Hun Sen's visit was "purely private". Embassy spokesman Badruddin Rahman would not say whether the Prime Minister had met Mahathir or Chen.

Om Yintieng, advisor to the Second Prime Minister, said he knew nothing about the visit to Kuala Lumpur, and that Hun Sen had been in Singapore for health reasons.

Earlier, Hun Sen sent a letter to Mahathir in which he specifically mentioned Ariston and wrote: "I would like to assure you that, I, on behalf of the Royal Government of Cambodia, intend to honor all agreements signed,

whether in respect of Malaysian companies or any other investor," Hun Sen wrote.

Hun Sen's letter followed First Prime Minister Prince Norodom Ranariddh's statement last month that he was prepared to cancel the Ariston contract if the government and the National Assembly were prepared to bear the consequences.

An international observer said the Prince appeared to be distancing himself and FUNCINPEC (National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia) from Ariston, while placing the burden of the success or failure of the Ariston deal on the whole coalition government.

Cambodia: King Thanks Nation for Queen's Birthday Ceremony

BK1906062196 *Phnom Penh National Radio of Cambodia Network in Cambodian*
0200 GMT 19 Jun 96

["King Sihanouk's Message to His Nation" issued in Beijing on 18 June — read by announcer]

[FBIS Translated Text] Greetings to the revered two supreme patriarchs and all levels of clergy and to the most profoundly loved compatriots, brothers, sisters, children, grandchildren, and great-grandchildren:

The queen and I would like to thank the revered supreme patriarchs, all levels of clergy, the royal family, the National Assembly, the Royal Government, government officials of all ministries, brothers, sisters, children, grandchildren, and great-grandchildren for organizing a grand celebration on the 60th birthday of her majesty the supreme queen in a most joyous and intimate atmosphere.

The queen and I are very sorry for being unable to join in this celebration and to serve all of you because I cannot stand too long and I have to continue receiving medical treatment under the care of the specialized doctors of Beijing Hospital who proposed that I should not receive any guests or perform any work. The doctors are worried that my paralysis might recur and I might fall.

For these reasons, her majesty the supreme queen has had to remain in Beijing to take care of me.

I am always thinking of the Cambodian motherland and people. Please accept my most sincere loyalty. May you enjoy the five Buddhist blessings: longevity, social prestige, happiness, strength, and enlightenment.

Beijing, 18 June 1996

Norodom Sihanouk

Cambodia: Khieu Samphan's Brother Heads New Journalists' Group

BK1806133996 *Phnom Penh PHNOM PENH POST*
in English 14-27 Jun 96 p 4

[Report by Ker Munthit]

[FBIS Transcribed Text] Seven newspapers have split from the League of Cambodian Journalists (LCJ) to form the Neutral Khmer Journalists Association (NKJA) as if the internal politics of the Kingdom's media wasn't confusing enough.

The LCJ itself was formed following a split from the founding body, the Khmer Journalists Association (KJA).

The most recent mutiny was led by Neak Noam Sa Thmei (New Emissary News) director Chea Satra, who said he in particular had become fed up with the LCJ. "I want to separate from the League to show the public that we're truly neutral," Satra said. When asked if the LCJ — which is close to Second Premier Hun Sen — was not neutral, he said "people know which way the league is now walking."

Also joining the new camp is Khieu Seng Kim — the brother of nominal Khmer Rouge leader Khieu Samphan — who is the editor of Kamlang Thmei (New Force News) newspaper. Satra said that Kim was considered the president of the NKJA. He said that being a member of the LCJ's ethics council was a waste of time as he was not given any responsibility.

He complained that the League, which like the KJA receives Asia Foundation funding, did not give money to help his newspaper out of financial difficulty.

Neak Noam Sa Thmei is printed weekly with a circulation from 1,500 to 2,000 copies per edition. Satra said that revenue from the paper sales could hardly meet payment of salaries for his 10 staff.

LCJ's President Chum Kanal explained that Asia Foundation money is spent on administration, not to finance individual members.

"It is their right to form any group they want," Kanal said.

"This is not internal rift [of LCJ] but there are politicians giving them money to form the association to counter the League," he claimed, refusing to elaborate.

Satra denied that he was receiving cash from any political party. He said that the NKJA would be able to survive on its members' contributions.

"My newspaper is poor but because of my affection to the profession I try to keep it running," he said, adding

that he would accept outside donations, but not political favors.

Indonesia

Indonesia: Suharto Meets With Australian Defense Minister

*LD1906090296 Melbourne Radio Australia
in English 0800 GMT 19 Jun 96*

[FBIS Transcribed Text] Australia's Defense Minister Ian McLachlan has held talks in Jakarta with Indonesia's President Suharto. Mr. McLachlan says they both agreed on the need for the United States to remain engaged in and focused on Asia and the Pacific. From Jakarta Michael Maher reports:

[Begin recording] Following a half hour meeting with President Suharto, Defense Minister Ian McLachlan told reporters that both he and the president agreed that the United States should be engaged in Asia and the Pacific but not as closely as in the past when the United States had military bases in the region. In their discussion on regional security Mr. McLachlan said the president was very positive about the landmark defense agreement signed between Canberra and Jakarta last year, and the two countries viewed the agreement as an umbrella under which problems could be discussed. Mr. McLachlan said he came away from his meetings in the Indonesian capital with the view that ties between the two countries were better than he thought they could possibly be. [end recording]

Indonesia: Suharto, Australian Minister Agree on U.S. Role

*BK1906093596 (Internet) Australian Broadcasting Corporation Online WWW in English
0718 GMT 19 Jun 96*

[FBIS Transcribed Text] Defence Minister Ian McLachlan met with Indonesian President Suharto today in Jakarta, to discuss regional security.

They decided the U-S should continue to play a role in Asia and the Pacific, but not as closely as it has done in the past when it had bases in the region.

Mr McLachlan says the President was very positive about the landmark defence agreement signed last year, which has been likened as an umbrella under which problems could be discussed.

Mr McLachlan says the meeting has left him thinking that relations are better than he ever thought they could be.

Indonesia: Officer Confirms Detention of Over 40 East Timorese

*BK1906090996 Jakarta KOMPAS in Indonesian
19 Jun 96*

[Unattributed report — received via Internet]

[FBIS Translated Text] Bandung, KOMPAS — Major General H.A. Rivai, commander of the Udayana 9th Military Region Command, said that the security apparatus arrested over 40 East Timorese in Baucau District recently to stop riots they had instigated.

"I have ordered the military district commandant to arrest all rioters because they have created unrest among Baucau residents. Their arrests are based on proper procedures. We hope that the rioters will be tried in the near future," Rivai told KOMPAS at the 6th Indonesian Army seminar at the Army Staff and Command School in Bandung on Tuesday (18 June).

According to the commander, Baucau residents became uneasy recently because dozens of youths armed with various sharp objects had committed extortions and instigated riots. "Residents became uneasy and felt that they were no longer safe. We arrested over 40 persons during our operation. Their arrests are based purely on their crimes and are not politically motivated," he said.

According to the former commandant of the Indonesian Army's Infantry Armament Center, the command will try to approach several other relevant agencies to have the rioters tried outside East Timor. "This is to prevent third parties from exploiting the matter. What the rioters had committed was purely criminal," he said. He added: "The court will have the full power to determine the degree of punishment."

No Privileges [subhead]

On a separate occasion, Army Chief of Staff Gen. R. Hartono strongly denied that the security apparatus was handling security in East Timor too cautiously. "No one enjoys privileges. We will deal with any offenses according to proper procedures," he said when asked about the arrests.

"Having been assigned by the people to maintain stability and security, we will never allow anyone to disrupt stability and security in East Timor. We have taken action against the rioters in accordance with proper procedures," he stated.

**Indonesia: About 500 OPM 'Loyal Followers'
Return Home**

BK1906090696 Jakarta Radio Republik Indonesia
Network in Indonesian 0P00 GMT 19 Jun 96

[FBIS Translated Text] About 500 residents of Guezelama Village in Jayawijaya District have finally come out of mountain hideouts and returned to their village. They were loyal followers of Kelly Kwalik, leader of the Irian Jaya security disturbance movement [official term for the Free Papua Movement or OPM].

Lieutenant Colonel Maulud Hidayat, chief of the Information Service of the Trikora 8th Military Region Command, stated this to reporters in Jayapura yesterday. According to him, they did not know the Government of the Republic of Indonesia because they were influenced and cheated by Kwalik.

Hidayat said they were willing to return home after obtaining an explanation from the authorities who are actively conducting a territorial operation in the hinterland of Jayawijaya District. The return of the 500 Guezelama villagers reflected the success of the territorial operation and the persuasive policy of the provincial administration and the Trikora 8th Military Region Command in Irian Jaya.

**Indonesia: 'Thousands' Rally for Democracy Party
Leader**

LD1906114996 Melbourne Radio Australia
in English 1100 GMT 19 Jun 96

[FBIS Transcribed Text] Thousands of Indonesians have rallied in central Jakarta in a show of support for the embattled leader of the opposition Indonesian Democracy Party, Megawati Sukarnoputri. Traffic came to a standstill as the protestors made their way from the national monument to the party's headquarters, two kilometers away. They sang, waved banners and displayed large pictures of Megawati and her father, Indonesia's founding president, Sukarno. Several hundred military and anti-riot police kept the protestors from blocking traffic, but there were no violent incidents. The opposition has been rocked in recent weeks by a government and military backed rebel faction which plans to hold a party congress this weekend in Medan, north Sumatra. The splinter group wants to oust Megawati as leader ahead of general elections next year. But party officials claim she still has majority support nationally.

**Indonesia: Police Remove Strikers From
Parliament Building**

BK1906092796 Hong Kong AFP in English
0850 GMT 19 Jun 96

[FBIS Transcribed Text] Jakarta, June 19 (AFP) — Around 400 striking factory workers were removed by police here Wednesday after staging an all-night sit-in at the parliament building, in a new manifestation of labour unrest in Indonesia.

"We were forced out by the police early today and put onto waiting trucks," said Joni, a worker from the West Java sports shoe factory PT Indoshoes.

The strikers, mostly female workers, were transported to a bus terminal in East Jakarta, he told AFP.

Some workers tried to take public transport to return to their homes in nearby Citeureup, while others got back to the parliament for a second day of protests along with a new batch of strikers, Joni said.

More than 500 workers and activists from the pro-democracy umbrella organisation, the Party of People's Democracy, regrouped in front of the closed parliament gates Wednesday morning, demanding to re-enter the building.

Workers used their blue Indoshoes uniforms to protect themselves from the hot sun while other activists climbed on top of the gates, shaking them and spraying water at riot police inside the compound.

Some 50 riot police, with sticks and shields, were inside the gate while another 20 police from the mobile brigade were on guard outside the gate.

The protestors then marched to the ministry of manpower, some five kilometers (three miles) southeast along the same avenue where they met with ministry officials.

The public relations officer at the ministry, Sutanto, declined to give details of the meeting.

The group's sit-in had begun early Tuesday when some 1,500 workers from a number of shoe and kitchen utensil factories in Bogor and Tangerang near Jakarta protested at the parliament to demand better pay, lower prices and a new president for the nation.

By midnight, the workers were sleeping around the huge marble foyer of the building.

About 40 police and parliament security personnel forced the group into five police trucks. Security guards also locked the toilets inside the parliament to prevent the strikers from using them.

Police hit their rattan sticks on the ground, an AFP reporter saw.

Some Muslim workers were lured out of the building for evening prayers and then taken away in unmarked cars. Police later said they were taken to a nearby bus station.

Supporters told AFP that between 10 and 40 of the striking workers were taken to police headquarters late Tuesday, but police denied this.

"The workers are not here. They went straight to the Rambutan bus station (in east Jakarta)," Major General Harmami, Jakarta Police Chief, told AFP.

Indoshoes is owned Anthony Salim who heads the Salim Group, Indonesia's most powerful business conglomerate.

The president commissioner of the company, Sudwikatmono is President Suharto's cousin.

Executives from the company were unavailable for comment Wednesday.

"The management are all in a meeting since this morning, trying to resolve this problem," said a company spokeswoman who declined to be named.

The workers, who make Adidas and Reebok shoes, were demanding a pay rise of up to 7,000 rupiah (three dollars) a day, an increase of a third on their present wages, as well as better working conditions and cheaper prices for food.

The Indoshoes spokeswoman was unable to say whether the strikes had hit production at the company's factory, which turns out 2.7 million pairs of sports shoes annually.

Analysts here said Salim's businesses have rarely been the target of strikes as their terms of employment were better than the average for other Indonesian companies.

Security around the striking workers has been tight as authorities prepare for two days of public rallies in Jakarta in support of the leader of the opposition Indonesian Democracy Party, Megawati Sukarnoputri.

Indonesia: Telecommunications Market, Infrastructure Detailed

BR1806120696 Maidenhead TELEFACTS in English May 96 pp 12-17

[Article by Lim Soo Ching: "Country Profile: Indonesia: The Commercial and Regulatory Environment"]

[FBIS Transcribed Text] Since its independence in 1945, Indonesia transformed from a Dutch colony to becoming one of the fastest growing economies in

Southeast Asia. Covering a sprawling 1.9 million square kilometers of land area, Indonesia is the fourth most populous nation in the world with some 190 million people. Given its rapid economic growth in the last few years, Indonesia, like its fellow founding members of the Association of South East Asian Nations (ASEAN), is touted to become one of the focal economies in the world for the next millennium.

The PTO Today Indonesia's telecommunications regulations and control remains under the authority of the Ministry of Tourism, Posts and Telecommunications, Parpostel. Aiding Parpostel in the coordination of inter-governmental department telecommunications issues is the National Telecommunications Board (NTB). The Agency for the Assessment and Application of Technology (BPPT) is responsible for the procurement and deployment of telecommunications equipment and research and development with Parpostel.

The Directorate General of Posts and Telecommunications (DGPT) implements regulations which cover the issuing and enforcement of operating licenses. Under the direction of the DGPT are the two main state-owned telecommunications carriers. PT Telekomunikasi Indonesia (PT Telkom), the country's chief domestic telecommunications carrier, was known as Perumtel, and completely state run, until it was corporatized in 1991.

Together with PT Telkom, DGPT regulates Perumpos, the postal agency; PT Indonesia Satellite (PT Indosat), the stateowned international telecommunications carrier; and PT INTI which is the primary state telecommunications equipment manufacturer, producing microwave, radio, CPE, satellite dishes, and digital switching (under a technical cooperation license from Siemens).

Telkom has been corporatized because the telecommunications authorities are aware that if telecommunications carriers continue to be state-run, they will never have the resources to meet the current backlog of approximately half a million waiting for telephone service. It is also imperative for it to meet this demand without losing too much control over its growth.

Telkom's corporatization was one part of a series of regulations that would allow the telecommunications carrier to react to market forces and at the same time making jointventure schemes with other private investors possible.

Pola Bagi Hasil (PBH)

Undang-Undang 3/89 gave the private sector the chance to invest in the vast Indonesian market previously not available to them. This meant that private investors were entitled to share resources with Telkom to install basic telephone main lines. The first of such revenue-sharing schemes was the Pola Bagi Hasil (PBH) which was launched in 1990 by Telkom in collaboration with five major consortia forming the PBH-1. It resulted in the addition of 100,000 main lines in the Jakarta area.

The second major project under this scheme, PBH-2, was taken up by PT Telekomindo (a Telkom subsidiary) which added another 190,000 lines to Jakarta, Bandung, and Surabaya. The third large project, PBH-3, involved all the investors of PBH-1 and PBH-2 to add some 210,000 lines in Jakarta.

The success of the three major PBHs led to the spin off of another 20, which at the end of mid-1995, in addition to the three major PBHs, have added a total of 600,000 mainlines to the Central and West Java areas.

Kerjasama Operasi (KSO)

The results from the PBHs were apparent and it reaped benefits for all parties involved. Also, Telkom did not have to relinquish control to private investors. The only slightly negative aspect of the scheme was the concentration of line build on the island of Java which essentially meant that the other regions of Indonesia were ignored.

A second revenue scheme was announced for Indonesia's sixth five-year Redevelopment Plan, Repelita VI, for the period 1994-1999. This new scheme is similar to privatization on a build, operate, and transfer basis, but the Indonesian authorities prefer to describe it as joint operations with profit-sharing.

The joint-operations arrangement, or Kerjasama Operasi (KSO), was created in an attempt to achieve Repelita VI's target of adding "a minimum of five million individual telephone lines and the development of various transmission facilities as well as other equipment it is (thus) necessary to expand various policies so as to encourage acceleration of development in the telecommunications sector," declared Ir Jonathan L. Parapak, Secretary General of the Department of Tourism, Posts & Telecommunications.

Despite a slow and uncertain start, as recent as late 1994, five KSO contracts were finally granted after an international tender in June 1995. These five consortia of both foreign and local companies will take up the task of planning, designing, engineering, financing, constructing, and maintaining at least 2,056,487 lines

in five out of Indonesia's seven regional divisions. Telkom will retain the responsibility for construction and operation of main lines in the more profitable Division II and Division VI in Java until the end of 1998. In return for the right to enter the Indonesian telecommunications market, the KSO investors have to pay Telkom three forms of payment.

The KSO are, however, not entitled to hold the titles to the lines and facilities whether newly built or transferred from Telkom. This is in order that there will be no compromise to the legislation of Telecommunications Law 3/89 (Undang-Undang 3/89). The KSO projects are designed to redirect investors' focus to the less developed outer regions of Indonesia. Projects at this scale will relieve Telkom from the pressure of meeting demands and playing technological catchup as well as management control over the facilities.

T-2001

It is the hope of the Indonesian telecommunications authorities that the KSO schemes will help Telkom and the rest of the Indonesian telecommunications industry reach world-class standard by the year 2001. The requirement from Telkom is that the KSO operators take T-2001 as a frame of reference for their work. The KSOs, according to Telkom's President Director Setyanto P. Santosa, with their experience, expertise, funding and other resources would make the targets of Repelita VI and the desired standard possible by 2001. Telkom would then get the transfer of science, technology and experiences from the investors in management of telecommunications services.

The Telephone Network

The growth of main telephone switching lines in Indonesia has been rapid with a 31 percent increase over 1994 to a total of 4.09 million lines in 1995. From 1996 onwards, the implementation of the KSO schemes will help push Telkom's number of main lines up to 8.9 million lines by 1998 - an addition of nearly 6 million lines over a six-year period. This growth will mean that the teledensity of Indonesia will jump from 1.4 percent (one of the lowest in the world) to an estimated 4 percent by 1998. Telkom which, until now, has been unable to keep up with the pressures of adding sufficient main lines, let alone maintenance and the development of new technology, will soon be able to handle these demands with the help of the KSOs when they begin operation in 1996.

By requiring all KSO investors to operate the lines by putting them into service and finding subscribers, Telkom plans to achieve a 90-95 percent utilization capacity by the end of 1998. This means that out of

the 8.9 million lines planned, some 8.2 million lines will be in service.

If everything goes according to plan, Telkom will achieve 95 percent digitalization of local exchanges in 1998 and full digitalization by 2002. This is compared with a digitalization rate of 90 percent by 1995. Also, to avoid any integration problems, as the industry grows, MTPT has made it mandatory that all KSOs including Telkom use only NEC, AT&T, and Siemens digital switches. The KSOs are also prohibited from using more than two different systems.

A trans-Java route from Jakarta to Surabaya provides the country's only major fiber-optic backbone. This was completed in 1992 by AT&T and Philips. The second fiber-optic line is currently being laid on the southern end of Java, stretching from Jakarta to Bandung, Yogyakarta, and finally to Surabaya. It is expected that this second backbone will be completed in 1996.

The bulk of Indonesia's long-haul transmission is facilitated by 34M bps and 140M bps digital microwave routes. The 1,500 km microwave route planned from Aceh to Palembang on Sumatra was awarded to Alcatel Telspace (the major supplier of PT Telkom's microwave routes) in October 1995. Alcatel will be investing some US\$20 million to handle this construction. It will be using an SDH network which is Telkom's preferred transmission technology.

The new line will run parallel to the existing line on the South of Sumatra which is linked all the way to Jakarta and Surabaya in Java, Balikpapan in Kalimantan, Palu in Sulawesi and all the way into Flores. The other major line being planned is a connection that extends from the existing network all the way into Jayapura, in Irian Jaya, near the border to Papua New Guinea.

To complement this network, three further submarine cable links are also planned. The first links Kalimantan and Sumatra. The second will connect Surabaya, Ujung Pandang and Banjarmasin, and the third links Ambon and Irian Jaya. It is likely that these three projects will be awarded to foreign investors in a KSO-styled scheme within the period of Repelita VI.

Since the start of Repelita IV which began in 1984, various telecommunication facilities have already been made available, such as public telephones. During Repelita V, the availability of telecommunication services became more extensive and was accelerated, including public telephone cards (TUK), telephone shops (Wartel), telecommunications services for banking, Automatic Teller Machine (ATM), handtelephone, toll-free/800 numbers, and Home Country Direct Calls (HCD). During Repelita VI, advancements will con-

tinue with the creation of various new facilities including GSM and the support of fiber-optic cable networks.

The International Network

PT Indosat is the international state-owned telecommunications company in Indonesia. It was founded in 1967 as a joint venture with International Telephone and Telegraph (ITT). In 1980, the government acquired ITT's shares for more than US\$40 million, in a bid to regain nationalized direction in telecommunications development.

Indonesia was the first country in the world to utilize satellite transmission for international telecommunications. This was necessary because of its unique geographic makeup. Since 1969, international communications have been made via Indonesia's first earth station at Jatiluhur and the first International Gateway Central (SGI) in Jakarta.

The second SGI started operation in 1983 in Medan, and the first Digital International Gateway Center in Jakarta (SGI-1) was up in 1989. SGI-1B, the second Digital SGI also in Jakarta, was inaugurated in 1993. All these gateways tapped into the pioneering Sea Cable Communications System (SKKL) connecting Penang, Malaysia, to Medan. The construction of other SKKLs like Medan-Singapore as part of a SEA-ME-WE SKKL (South East Asia - Middle East Western Europe) eventually followed.

Currently, Indosat is aggressively tapping into the growing network of submarine optical fiber cables and inter-PTO cooperation agreements as a launching pad for increased regional and international access. To implement these moves, Indosat is a member of the consortium building the Asia Pacific Cable Network (APCN) and has also signed a Memorandum of Understanding concerning the SEA-ME-WE III cable link up. Indonesia already has a submarine fiber-optic cable with Singapore since 1993, which serves as the initial leg to the Europe-Asia route, SE-ME-WE II, as well as being a branch of the ASEAN Optical Fiber Submarine Cable Network (AOFNSN).

Alcatel and a local Indonesian investor are also in collaboration to build a submarine link from Surabaya to Jakarta which, after its completion in 1996, will be gradually expanded in concert with the microwave transmission network to include Malaysia, Brunei, the Philippines, and Guam.

On November 28, 1995, Indosat also launched the first B/M standard Inmarsat earth station in Jatiluhur. Indonesia now has four international gateways, six earth stations antennas, four submarine cable landing terminals, and five microwave links.

Satellite Services

There are currently four satellite operators in Indonesia including Telkom, which owns and operates the Palapa-B series. The other three - each of which is partly owned by either Telkom or Indosat or by both - are private firms, comprised of PT Satelindo, the owner and operator of three Palapa-C satellites; PT Pasifik Satelit Nusantara (PSN), which acquired Palapa-B satellites from Telkom and operates them as Palapa Pacific satellites; and PT Mediacitra Indostar, which will operate direct broadcasting satellites called Indostar. PSN is 30 percent owned by PT Elektrindo Nusantara, a Bimantara-affiliated firm, 40 percent by Telkom, 10 percent by the company's executives, 10 percent by Hughes of the United States, and 10 percent by Telesat of Canada. Mediacitra's owners include PT Seruni, a subsidiary of Amcol Group as well as several influential figures in Indonesia. Telkom will have a 25 percent stake in Mediacitra by 2008.

Indonesia inadvertently leapt into the privatization of basic services in early 1993, when a private company, PT Satelindo, was given ownership and operation rights to Indonesia's satellite program, Palapa. As a final segment in the corporatization efforts of the PTT, Palapa was scheduled to be spun off from PT Telkom into a separate state-owned corporation. Perumtel, and then PT Telkom, had controlled the Palapa program since its inception in 1975. However, in January a surprise government decision awarded the operation of the national satellite to a consortium headed by a private corporation. Thus, Satelindo was created, a joint venture owned 60 percent by the PT Bima Graha of the PT Bimantara Group (a conglomerate controlled by President Suharto's second son), 30 percent by PT Telkom, and 10 percent by PT Indosat. Currently, Satelindo is 45 percent owned by PT Bimagraha Telekomindo - a joint venture between the Bimantara Group and the Artha Graha Group. The other shareholders are DeTeMobil of Germany (25 percent), Telkom (22.5 percent), and Indosat (7.5 percent).

PT Telkom is to remain in control of the three current B-generation satellites B2R, B2P, and B4 until the three satellites are retired from service over the next decade. Satelindo will assume control of the C-generation satellites and subsequent generations. Satelindo's license also provided for the ownership and operation of an international gateway and a national cellular network.

On February 2, 1996, the Palapa-C1 satellite was launched in Cape Canaveral in the U.S.A. This marks the 20th anniversary of Indonesia's use of its own satellites for international telecommunications. The first in the series, Palapa-A, was built by Hughes Space

and Communications International Inc. These Palapa HS 333 satellites were followed by the HS 376 design with the first Palapa-B launch in 1983.

The Palapa-C satellites carry 30 C-band and 4 Ku-band transponders and will use 21.5-Watt and 26-Watt solid state power amplifiers (SSPAs) in the C-band, and 135-Watt SSPAs in Ku-band. This is compared with the Palapa-A satellites which carried 12 transponders in 1972 when launched.

The coverage area for the C1 includes not only Indonesia, but also South East Asia and parts of China, India, Japan, and Australia.

Indonesia is hoping to secure at least 24 orbital slots for its satellites, including eight of the Palapa-B generation (four of which have been launched), four from the Palapa-C generation (including one more to be launched in April 1996 after the C1), four Palapa Pacific satellites (one in operation), four Garuda satellites (the first will be launched in 1998), and four Indostar satellites (the first will be launched by Arianespace of France in 1997/1998). Indonesia currently operates three satellites - Palapa-B2P, Palapa-B2R, and Palapa-B4. The control of the 72 transponders carried by the three satellites will be handed over to PSN at a negotiated price. The government has revealed that it would keep supporting Satelindo, but would not depend on it to add to the number of satellites because it was more efficient for PT Telkom to have its own satellite rather than rent from Satelindo.

Telkom has announced that it expects to launch the Palapa B5 and B6 satellites in competition with Satelindo Indonesia if the launch of the Palapa C1 satellite is a success. To do that, it is expected to spend US\$250 million to launch the B5 by 1998. This is in preparation for satellites to help carry 25 percent of Indonesia's long-distance voice traffic by 2000.

As regional competition increases for the right to orbital slots in the future, conflict with countries such as Tonga over location issues will become more commonplace.

Mobile Communications

Cellular and paging segments are licensed out to PBH concessionaires to help Telkom and Indosat handle these segments despite their resource limitations. Under this scheme, there are now six providers of mobile cellular service in Indonesia.

It is also under this form of development (now via KSO arrangements) that the Repelita VI target for the pager segment growth is to reach three million subscribers at the end of 1998.

Cellular

Telkom developed the system on a Build, Operate, and Transfer basis, with a Revenue Sharing (BOT-RS) element factored in. These cooperation agreements between Telkom and the earlier investors proved to be successful in the initial stage.

The NMT 450 system, which was launched in 1986, enjoyed a subscriber rate of 24,000 members, out of its 31,000 line capacity at the end of 1994 for Western Java alone. The AMPS system covers 9 out of 12 telecommunications regions and has 45,000 subscribers out of a 51,600 line capacity.

The basic drawback of these two existing systems are their relatively small capacity and inability to provide security and protection against cloning. To overcome this, the GSM system was launched in Indonesia as a result of a joint-venture company formed by Telkom and Indosat, known as Telkomsel GSM.

Since then, the number of cellular subscribers in Indonesia has been growing. However, penetration has remained relatively low, particularly because of the high cost of owning such telephones. According to PT Telkom, the total number of cellular telephone customers was 78,024 lines at the end of 1994, up 46% from the previous year. For the years of Repelita V (1990 - 1994), the total number of such customers grew at an average annual rate of 41.8 percent.

Since January 1995, all the different cellular telephone systems in Indonesia (NMT, AMPS and GSM) have been classified by PT Telkom under the same category as STB (Sistem Telekomunikasi Bergerak or Mobile Telecommunications System).

In the past, PT Elektrindo Nusantara, which operates the AMPS system, had the highest subscriber rate. Recently, the company - which is a subsidiary of the Bimantara Group - has started to transfer its customers to PT Komselindo, a joint venture with PT Telkom. At the end of June 1995, PT Komselindo had 48,023 customers.

Paging

The higher subscriber base for pagers as compared to cellular telephones can be explained by their relative prices. Strong growth has been experienced in the paging market despite the negative status association that Indonesians link to pager users, labeling the pager users as Simatupang (an abbreviation of "Siang Malam Tunggu Panggilan" or "on call day and night"). However radio pagers have been very helpful in covering areas which have no telephone infrastructure.

To satisfy demand for pagers, the Ministry of Tourism, Post and Telecommunications has issued numerous

licenses to new pager operators. Up to mid-1995, there were some 74 paging operators, half of which were located in Jakarta. Of the total operators, four firms are licensed to operate nationally - PT Telematrixindo with its EasyCall, PT SkyTelindo with its SkyTel, PT Duta Pertiwi Santosa with its Starpage and PT Indolink First Pacific with its Indolink.

So confident is the government of this segment's growth, that at the end of August 1995 it revised its target of radio paging subscribers from one million to three million, within the ongoing Repelita VI which ends in March 1998. To meet this target, the MTPT announced that it would be issuing 90 additional new licenses for operators based outside Jakarta. This is in line with Repelita VI's plans of expanding the telecommunications network out of already crowded Central and Western Java.

In this increasingly competitive market, operators are beginning to take steps to increase their added-value. Strategic alliances with foreign companies are becoming a commonplace event. For example, one of the largest pager operators, PT Buana Bintangayu, which operates paging services in seven Indonesian cities and has big expansion plans, is negotiating with Singapore Telecom to provide international roaming services. It also has plans to include foreign partners in its business, such as companies based in Malaysia and Thailand. Others, like Satelindo, are also considering future strategies.

Trunked Radio

To date, trunked radio services have been provided by BOT concessionaires like PT Mobilkom. These companies are supported by players such as Motorola, Philips, and Nokia with equipment and management participation. This service began operation in 1993.

In mid-1995, companies with more sophisticated technological capabilities like Telstra have also entered the market with trunk private radio services in cities like Jakarta, Bandung, and Surabaya. In a huge country like Indonesia, besides being used in specific fields like fleet management, trunked radio service can also serve to cover areas not well supported by telecommunications infrastructures.

The Future

The first year of Repelita VI has shown quick results in drawing foreign expertise while allowing the Indonesian Authorities to retain their grasp and rights to the title of the projects being undertaken. Growth to date severely neglected some of Indonesia's multiple islands. The ambitious target of five million main lines may yet be a simple achievement as virtually all the big

telecommunication players in the world eye for a piece of this lucrative population.

These very companies will be the ones to help the local carriers, in particular Telkom and Indosat, to become more value-added in their services and draw Indonesia towards its goals for T-2001 and beyond.

Philippines

Philippines: Ramos Ratifies Air Accords With Russia, Jordan

BK1706080896 Manila PNA in English
1122 GMT 13 Jun 96

[Received via Internet]

[FBIS Transcribed Text] Manila, June 13 (PNA) — President Ramos announced today his ratification of air transport agreements with Russia and Jordan, allowing the Philippines to establish and regulate aviation relations with both countries.

Both are executive agreements which do not require the concurrence of the Senate and take effect on the day of the exchange of diplomatic notes confirming the fulfillment of constitutional requirements for their approval.

The agreement between the Philippines and the Russian Federation for Air Transport was signed in Manila in 1992.

The RP [Republic of the Philippines]-Russia Air Transport Agreement seeks to create fair and equal opportunity for the airlines of both countries to operate agreed services on specified routes between their respective territories.

The air services agreement between the Philippines and Jordan was signed in Amman in March this year.

In ratifying the agreement, the president said Jordan showed its importance when it played a key role in the evacuation of Filipinos in the last Gulf War. In recognition of this reality, he said, it is in the interest of the Philippines to establish and regulate aviation relations with Jordan.

The president added that air traffic in the region is expected to increase following the Palestine Liberation Organization-Israel peace accords which are expected to stimulate trade and economic activities in the region.

Philippines: Peace Talks With Communists Resume in Netherlands

BK1906124496 Quezon City GMA-7 Radio-Television Arts Network in Tagalog 0930 GMT 19 Jun 96

[FBIS Translated Text] The suspended peace talks between the government and the National Democratic Front have finally resumed. This was confirmed to the Cabinet today by President Fidel Ramos. The president said Ambassador Howard Dee, leader of the GRP [Government of the Republic of the Philippines] panel, is now in the Netherlands to meet with Jose Maria Sison's group.

Meanwhile, Defense Secretary Renato De Villa said the issuance of a court order releasing captured Communist leader Sotero Llamas was just a coincidence.

Philippines: MNLF Chief Accepts Offer on Transitory Body

BK1806065996 Manila BUSINESS WORLD in English 14 Jun 96

[Unattributed report — received via Internet]

[FBIS Transcribed Text] Moro National Liberation Front (MNLF) chairman Nur Misuari has finally accepted the government's offer for him to chair the proposed Southern Philippines Council on Peace and Development (SPCPD). Reverend Absalom Cervera, chief MNLF negotiator, confirmed an earlier statement by MNLF liaison officer George Asi that Mr. Misuari had accepted the proposal, which Presidential Peace Process Adviser Manuel Yan raised during their meeting in Jakarta, Indonesia last 3 June. Eleven representatives from the Organization of Islamic Conference, headed by Indonesian Foreign Minister Ali Alatas, witnessed those discussions.

Mr. Misuari reportedly agreed to formally elevate the government-MNLF informal agreement in this regard for endorsement and a possible formal agreement during the eighth mixed committee meeting to be held in Davao City next Tuesday to Thursday. The proposed SPCPD will coordinate peace and order efforts in the area, focus on development efforts and implement economic projects as well as provide support to local government units.

Thailand**Thailand: Firm Enters Satellite Venture With Australia, Russia***BK1906132596 Bangkok THE NATION in English
19 Jun 96 p B2*

[Report by Yingyot Manchu??n?n]

[FBIS Transcribed Text] Thai Satellite Telecommunications Co [TSC] will wait until early next year to finalise the possibility of establishing a rocket launch pad in Australia, president Piyabut Wasuthara said in the company's first official announcement on the new project yesterday.

The scheme's viability will be determined by a site survey, which includes environmental issues, and a final decision by Russian rocket maker Proton to become a permanent customer.

A unit of Ucom group, TSC has already signed up with Australian-based Space Transportation Systems Co to buy 50 per cent of the latter's shares, worth U.S. \$4 million, and agreed to co-sponsor the project study. Neither company has a satellite technology background but they have the capability to coordinate government agencies to obtain permissions and attract future investors, Piyabut said.

The consortium has already reached the first stage of project development by winning approval to conduct the survey from Australia's Northern Territory state government. The project construction is estimated to cost around Bt12.5 billion, according to Piyabut.

The project initiator is wooing Proton satellite manufacturer Khrunichev State Research and Production Space Centre to move its launch site, currently at Baikonur in Kazakhstan, to the planned site in Darwin, Australia. "Proton, whose technology is said to be 10 years more advanced than that of the U.S., wants to enter the commercial market and needs partners as it lacks marketing expertise," Piyabut said.

Along with an environmental survey, the consortium needs to convince Proton to make the shift. The rocket maker is also looking at Brazil as another site to replace its aging pad at Baikonur. "Khrunichev has expressed interest in STC's proposal, but its partner, U.S. satellite manufacturer Lockheed Martin, is likely to go Brazil," STC president said.

If Proton decides to drop STC's proposal, the company is eyeing two or three other Russian rocket makers as replacements, claimed Piyabut, declining to reveal names. "In the next five years, no other region will be able to compete with Asia for satellite growth," he said.

The Thai company, although lacking satellite technology experience, has the potential to attract more partners as it is a member of the Iridium project, a global satellite mobile phone plan scheduled to put its first two satellites into orbit in October.

Thailand: Prime Minister Interviewed on Stability, Reshuffle*BK1906140596 Bangkok MATICHON in Thai
19 Jun 96 p 2*

[Interview with Prime Minister Banhan Sinlapa-acha by various reporters at the Government House in Bangkok on 18 June]

[FBIS Translated Excerpt] [Unidentified reporter] Have you a formula to strengthen government stability after the withdrawal of the Prachakon Thai Party?

[Banhan] At this time there is no thought about bringing another party into the coalition government. The government still has 214 votes in parliament. I have asked all cabinet ministers to perform their duties as best they can. It is not a good idea to frequently reshuffle the cabinet because the continuity of the work will be disrupted. It takes months for new work to really take affect; therefore every ministry has been asked to accelerate its work. For example, the Agriculture Ministry has been asked to fulfill its pledges made to farmers during their recent demonstration. Every governor will be instructed to provide cooperation.

[Unidentified reporter] By leaving five ministerial slots empty, does this mean that the Prachakon Thai Party will return as a coalition partner?

[Banhan] No, that is not the case. Leaving those ministerial slots unfilled does not cause any problems as far as the performance of the government. It is easy enough to appoint ministers, but if appointments are to be made, they must be good appointments. I listened to advice from reporters about what should be done, but once I complied I was criticized again. When will all this criticism end? I will do whatever serves the interest of the national administration. There is no reshuffle formula this time. The government will continue to work with the 214 votes it has in parliament.

[Unidentified reporter] Why do you think all the criticism is directed at you?

[Banhan] I am the head of government.

[Unidentified reporter] Can you comment on the pressure from various sources urging you to resign?

[Banhan] Regarding the views of people in the Chat Thai Party, we are in the same family and can talk to

each other. Some people cannot bear honest remarks. They are silent when they are happy, but complain when unhappy.

The Thoet Thai faction and I can reach an understanding because we are in the same party. On 17 June I had a meeting with 10 members of that faction. Their behavior at the time was docile. I reminded them that whatever problems they have they should discuss them within the party, not outside.

[Unidentified reporter] They were docile in your presence, but behind your back they told reporters that they wanted you to quit.

[Banhan] They did not show any hostility toward me in my presence; they all said they loved me. They said at times they were carried away by questions from reporters.

[Unidentified reporter] How do you characterize the remark by Phairot Suwanchawi, a Thoet Thai faction member, urging you to resign?

[Banhan] He was expressing his concern; it was nothing more than a suggestion. It is up to me whether or not to take his suggestion seriously. Everyone has his own views. If we talk reasonably then there will be no problems. The Thoet Thai faction expressed its concern; it was not trying to confuse the government. The problem has to do with talking too much. I told the faction it would be better to speak less. It said it cannot help getting carried away with the newsmen asking questions every day. Even I was confused by

them at times. I ask the newsmen not to confuse things; they can help in this regard.

[Unidentified reporter] Does this mean that from now on only the head of Chat Thai Party should be listen to party matters?

[Banhan] That would be dictatorial, which I am not. Within the Chat Thai Party an understanding has been reached that internal party matters are to be discussed within the party, not outside. This is in order not to create false understanding by others.

[Unidentified reporter] Do you think you will be able to lead the government, which has 214 votes in parliament, through the next parliament session without reshuffling the cabinet again?

[Banhan] I am confident of that.

[Unidentified reporter] Without a cabinet reshuffle, are you sure?

[Banhan] Yes, I am certain.

[Unidentified reporter] What makes you so sure?

[Banhan] Just look at me. I am confident that the government will not be toppled in parliament.

[Unidentified reporter] Does this mean that there will be no cabinet reshuffle during the next parliament session?

[Banhan] Let's not talk about a hypothetical situation. No one can predict the future. [passage omitted]

Australia

Australia: 'Fundamentalist' Implicated in Cairo Bombing Deported

BK1806023996 (Internet) Australian Broadcasting Corporation Online WWW in English
2344 GMT 17 Jun 96

[FBIS Transcribed Text] A man described as the most serious security risk seen in Australia has been deported from Melbourne, in an operation involving ASIO [Australian Security Intelligence Organization], Interpol, immigration officers and Federal Police.

Officials say Mohammed Hassanien is linked to a fundamentalist Islamic group implicated in a number of bombings and shootings, including that which killed 18 people in Cairo in April.

Police won't give details about what Mr Hassanien was doing in Australia, or where he was deported to, except to say it's somewhere in Europe.

He arrived in Sydney on May the 7th, travelling to Melbourne the same day, but was arrested two weeks ago and held in secret until being deported yesterday.

Australia: Attorney General Comments on 'Terrorist' Extradition

LD1806103496 Melbourne Radio Australia in English 0800 GMT 18 Jun 96

[FBIS Transcribed Text] Australia's Attorney General Daryl Williams says he is concerned that operational details about the detention and deportation of an alleged terrorist from the Middle East were released to the mass media. Stuart Heather reports that Mr. Williams has asked the Australian Federal Police ensure that in future, details of security police operations are not released to the media.

[Heather] Mohamed Hassanien was flown out of Australia after being linked with a fundamentalist Islamic group implicated in bombings and shootings, including the killing of 18 people outside a tourist hotel in Cairo. In the Australian Parliament, the attorney general said that he was concerned that details of the operation had been released, resulting in the front-page story and photograph of the deportation. Mr. Williams has confirmed that Australia's security intelligence agency, ASIO, police, and immigration officials worked jointly to detect and detain Mr. Hassanien after ASIO was tipped off to his possible presence in Australia by another, unnamed country.

[Begin Williams recording] This operation demonstrates Australia's deep and continuing concern to stop the spread of terrorism. [end recording]

Australia: Opposition on 'Premature Deportation' of Terror Suspect

BK1906094796 (Internet) Australian Broadcasting Corporation Online WWW in English
0623 GMT 19 Jun 96

[FBIS Transcribed Text] The Federal Government's been accused of allowing alleged terrorist Mohamed Hassanien to walk free, after deporting him to Europe this week.

Mr Hassanien was deported after an joint operation by ASIO [Australian Security Intelligence Organization], Federal Police and Immigration authorities.

The Opposition says his premature deportation will lead in him walking free.

It's asked Attorney-General Daryl Williams whether he knew Mr Hassanien was likely to be released by Danish authorities, and that the FBI wanted to question him.

Mr Williams told Parliament the operation was successful, but wouldn't say who recommended the deportation.

Australia Plans To Maintain Policy on Trade With Burma

LD1806102496 Melbourne Radio Australia in English 0800 GMT 18 Jun 96

[FBIS Transcribed Excerpt] The Australian Government says it will maintain an embargo on the export of defense-related goods to Burma. The leader of the government in the Senate, Robert Hill, says the government will continue Australia's policy of neither encouraging nor discouraging trade with Burma. He says it is doubtful whether trade sanctions will have any positive effect on Burma's State Law and Order Restoration Council [SLORC]. Senator Hill says the government will only change its stance when the SLORC improves human rights in Burma. [passage omitted]

Australia: 'Harsh Suharto Critic' Nominated Envoy to Jakarta

BK1306030096 Sydney THE SYDNEY MORNING HERALD in English 13 Jun 96

[Report by David Lague — Received via Internet]

[FBIS Transcribed Text] The Federal Government is poised to appoint a strong critic of Suharto family corruption and a former Labor Government foreign policy adviser as Australia's next Ambassador to Indonesia.

Senior Australian officials have told the HERALD that Jakarta has accepted Canberra's nomination of Mr Miles Kupa despite the career diplomat's warning in 1988 that

President Suharto's ruling style and his family's corruption was a barrier to Indonesia's economic progress.

Mr Kupa, a former adviser to the previous Minister for Foreign Affairs, Mr Gareth Evans, is now in Canberra for briefings before his appointment is announced but he has refused to comment on his posting. "My lips are sealed," he said this week.

Mr Kupa is understood to have prepared a confidential internal report titled "Little Big Man" on Mr Suharto's Indonesia after his term as Deputy Ambassador in Jakarta ended in 1988.

He briefed a meeting of Department of Foreign Affairs and Trade branch heads on his report on October 14, 1988, and a confidential record of his comments was later leaked to the media.

"Mr Kupa said that Suharto's personal style did not rest well with the notion of Indonesia as a major player in international affairs or as a competitive economy," the departmental document said. "The president tended to be introverted and preferred to concentrate on his own backyard.

"The Suharto family's corruption had come to have a macro-economic impact and was a restraint on opening up the economy ..."

Mr Kupa will replace Mr Allan Taylor, a diplomat who in leaked cables has also been frank in his criticism of the Indonesian Government and Jakarta's human rights record.

"Human rights throughout Indonesia are subject to the arbitrary activities of the executive which often unpredictably takes action against its critics and silences or intimidates those who oppose it," Mr Taylor said in a cable last year.

Mr Kupa warned in the 1988 briefing that there were dangerous tensions underlying Indonesian society and that the Suharto "carrot and stick" approach to keeping dissent under control might prove inadequate if tensions grew, particularly in the leadership succession.

He forecast that a military coup was possible if the transition to a new leadership was mismanaged.

"He suggested that Suharto would probably try to hang on for as long as possible," the record said.

"He [Suharto] had resisted any temptation to stand down, one reason being the need to protect his family's interests. At the same time, the ruling elite appeared to recognise the importance of an orderly succession through constitutional channels."

Mr Kupa anticipated the growing defence and security links with Jakarta when he said that Indonesia's importance to Australia was primarily strategic.

The briefing record said he had told his colleagues that there was limited scope for expanding economic ties but "there appeared to be better investment opportunities elsewhere".

Australia: Jakarta Reacts to Canberra's Ambassadorial Nominee

BK1706043696 Sydney THE SYDNEY MORNING
HERALD in English 17 Jun 96

[Report by Louise Williams in Jakarta — Received via Internet]

[FBIS Transcribed Text] The Indonesian Government must reject Australia's candidate for Ambassador, Mr Miles Kupa, unless he first apologises in writing for his past criticism of Indonesia's President Suharto and his family, according to a powerful Indonesian parliamentary committee.

The new bilateral deadlock loomed at the weekend with the statement by Mrs Aisyah Aminy, chairwoman of Commission 1 (Foreign Affairs) of the Indonesian Parliament, that Mr Kupa must first be questioned about his attitude to President Suharto before his nomination for the position of Ambassador to Indonesia is accepted.

"It is not necessary to the (Indonesian) Government to rush in deciding the issue. They should first ask him (Mr Kupa) about his attitude now. And even if he has changed, he will still have to make a written apology to the Indonesian Government," Mrs Aisyah was quoted as saying by the Jakarta daily MEDIA INDONESIA.

A spokesman for the Indonesian Foreign Affairs ministry, Mr Gaffar Fadyl, told the HERALD Mr Kupa's nomination had been received but no decision had been made.

Mr Kupa, who was posted to Jakarta in the 1980s in a more junior diplomatic position, was the author of several confidential reports to the Australian Government, which were critical of President Suharto and his family.

One report, Little Big Man, has been widely reported in the Indonesian press since Mr Kupa was identified as Canberra's choice to replace Australia's Ambassador, Mr Allan Taylor, due to leave his post this month.

Mrs Aisyah said the delicate bilateral relationship was "very good now", arguing that both sides should avoid action that would reignite tensions.

Last year, Australia rejected Jakarta's nominee for Indonesian Ambassador, Mr Herman Mantiri, owing

to public pressure over the retired military officer's statements on the Dili massacre in East Timor. The backing down by Jakarta over the Mantiri appointment was seen by many Indonesians as a significant loss of face and the Indonesian Government left the position vacant for eight months in protest.

Canberra may accept the rejection of Mr Kupa's nomination to allow a public evening-up of the score.

Criticism of the Suharto family is the single most sensitive issue in Indonesia and prompted a ban on all Australian journalists and a break-down of diplomatic ties 10 years ago.

Canberra has since worked extremely hard to rebuild links with Jakarta.

Australia: Downer Expects Indonesia To Ratify Security Treaty Soon

BK1806065096 Melbourne Radio Australia in English 0500 GMT 18 Jun 96

[FBIS Transcribed Text] Australia's foreign minister, Alexander Downer, says he expects that Indonesia will soon ratify the security treaty with Australia. Mr. Downer said he had been given assurances by Indonesia's foreign minister, Ali Alatas, that Jakarta would complete ratification of the treaty shortly. Speaking at the Australia-Indonesia Business Conference in Melbourne, Mr. Downer said the agreement on maintaining security formally recognizes that the two countries have common strategic interests.

The comments come as Australia's defense minister, Mr. Ian McLachlan, leaves for Indonesia for talks with President Suharto and Indonesia's defense minister, Edi Sudrajat. Mr. McLachlan said he wanted to visit Indonesia to meet his counterpart face to face and to discuss mutual defense interests. The defense minister will be accompanied by the chief of the Australian Defense Force, General John Baker.

Australia: Boat Carrying 67 PRC Asylum-Seekers Arrives

BK1606123296 Melbourne Radio Australia in English 1100 GMT 16 Jun 96

[FBIS Transcribed Text] Another boat carrying asylum-seekers believed to be from southern China has arrived in Australia. The Immigration Department says the vessel with 67 people on board was escorted into Darwin in northern Australia earlier today. The 42 men and 25 women are reportedly in reasonable health apart from some sea sickness. All of the boat people have been interviewed with the help of a Cantonese

interpreter. Plans have been made to fly them to the Port Hedland Detention Center in western Australia.

Australia: Minister 'Cautiously Optimistic' on Security Council Seat

BK1806102296 (Internet) Australian Broadcasting Corporation Online WWW in English 0721 GMT 18 Jun 96

[FBIS Transcribed Text] Foreign minister Alexander Downer says he's cautiously optimistic Australia will win a seat on the United Nations Security Council.

Mr Downer says it would be a major mistake to elect the other candidates, Sweden and Portugal, because the European Union is already well represented on the UN.

Asked if he supported his predecessor Gareth Evans for the position of U-N Secretary General, Mr Downer quoted Mr Evans saying he quite enjoys his time in Opposition.

Mr Downer said he wouldn't want to get in the way of that, but added he'd consider Mr Evans for an Under Secretary job if he was interested.

Australia: Commodity Export Value Slashed by \$1.5 Billion

BK1906084696 Sydney THE AUSTRALIAN FINANCIAL REVIEW in English 19 Jun 96

[Article by Cathy Bolt: "Export Growth Slashed by \$1.5 Billion" — received via internet]

[FBIS Transcribed Text] More than \$1.5 billion [Australian dollars] has been sliced from official forecasts of the value of Australia's commodity exports for the next financial year, as a higher dollar and slower-than-expected world economic growth erode expected earnings from the mining sector.

But as the federal government's chief commodity forecaster, the Australian Bureau of Agricultural and Resource Economics [ABARE], winds back its outlook for minerals exports, its forecast for farm exports has been revised upwards by \$750 million in expectation of higher wheat returns. ABARE yesterday cut its forecast for the overall value of commodity exports in 1996-97 to \$61.1 billion — still a record, but down from its March forecast of \$62.6 billion. This, in turn, was \$1 billion lower than its previous forecast, in early February.

The major reason for the revision is a downgrading of ABARE's bullish projections for mining exports. Now put at \$38.2 billion, compared with \$40.5 billion three months ago and \$41.3 billion in February, export growth

from the 1995-96 financial year is tipped to fall from 8.5 per cent to 6.5 per cent.

The forecasts for alumina, aluminium, nickel, copper and gold have all been sharply reduced.

But forecasts for rural exports have been pushed up, and they are now expected to maintain their 1995-96 earnings of \$20.4 billion.

The main reason for the improved rural outlook is a sharp rise in expected wheat returns since the Bureau issued its last quarterly review. Wheat is now expected to reap \$3.1 billion in export earnings compared with ABARE's \$2.6 billion estimate in March.

Over the period, forecast pool returns for the wheat crop now being planted have climbed from \$197 a tonne to \$245, more than offsetting a decline in the expected harvest from 17.4 million tonnes to 16.1 million tonnes.

The story for wool is bleaker, with the average eastern market indicator now put at 620c a kilogram for 1996-97 — no change on the current poor season — compared with previous expectations that it would increase to 700c. Beef exports, too, have been pared back by \$250 million since March following the continued downturn flowing from a glut of beef in the United States. They are now put at \$2.5 billion, reflecting a decline in expected saleyard returns from 197c (cents) a kilogram to 150c a kilogram. The major change from the bureau's last update is an expectation that the Australian dollar will now average around US77c in 1996-97, rather than US75c. Estimates of OECD growth in 1997 have also been brought back to 2.5 per cent, from 2.7 per cent.

ABARE attributes the recent appreciation in the \$A to an increase in interest rate differentials between Australia and major overseas economies and changing perceptions in financial markets about the short-term outlook for world economic growth and commodity prices.

"A strengthening in the prices of some major export commodities, such as wheat, may also have contributed to an upward trend in the Australian dollar," it says.

ABARE noted that nearly all Australia's mineral and energy export contracts were written in US dollars, although hedging and lower input prices could be expected to partly offset the effect of lower export returns on company profits and the current deficit account.

The shifting outlook has particularly affected exports of metals, with projected export earnings from alumina down \$500 million on the March forecast to \$3 billion, aluminium down \$300 million to \$2.4 billion, nickel down \$130 million to \$1.35 billion, gold down \$340

million to \$5.76 billion and copper down \$100 million to \$1.07 billion.

Overall, however, the bureau still tips the value of export earnings from mining in 1996-97 will significantly outpace that of 1995-96, with the impact of the higher \$A more than offset by moderate growth in production and increases in the prices of most commodities flowing from stronger world economic growth.

Copper is one of the few exceptions, tipped to fall 6.7 per cent to an average of \$2256 a tonne in 1997, with growth in supply expected to exceed that in consumption.

Papua New Guinea

Papua New Guinea: 'All-Out War' on Bougainville Rebels Planned

LD1806084196 Melbourne Radio Australia
in English 0800 GMT 18 Jun 96

[FBIS Transcribed Text] People in rebel-held areas of the secessionist island of Bougainville have been warned to leave their villages or risk being caught in a major new offensive by Papua New Guinea (PNG) military. A dusk-to-dawn curfew has been imposed on the island of Buka and the northern tip of Bougainville as PNG soldiers separate [as heard] for a major clean-up of rebel strongholds. The PNG Defense Force's First Battalion has been sent to Bougainville to make the sweep up to the abandoned copper mine at Panguna and then through the mountains down to the Kungara-Komira area on the southeast coast.

In a notice issued in the name of Police Commissioner Bob Nenta, village people in the so-called clean-up zone have been ordered to go to government-run refugee camps or face the consequences. The operation has been described by Buka police as an all-out war on the Bougainville Revolutionary Army.

Solomon Islands

Solomon Islands: Peace Plan Calls for Regional Force for Bougainville

BK1906095996 Melbourne Radio Australia
in English 0500 GMT 19 Jun 96

[FBIS Transcribed Text] Solomon Islands Government has suggested a complete withdrawal of Papua New Guinean forces from Bougainville in what it describes as a peace plan for the ongoing crisis.

Speaking in Honiara, the islands deputy prime minister and minister for foreign affairs, Danny Philip, recommended the PNG (Papua New Guinea) troops be replaced by a joint regional force. Mr. Philip claims that

both Vanuatu and Fiji have agreed in principle to a planned demilitarization of Bougainville and to be part of any joint regional force.

The peace plan also calls for the formation of a regional committee to monitor and report on events in Bougainville to both Solomon Islands and PNG governments. The proposal comes amid news of a major

offensive by PNG troops on Bougainville which has been described as a cleanup of rebel strongholds. Mr. Philip told reporters it is hoped that the Solomon Islands prime minister, Solomon Mamaloni, will meet soon with his PNG counterpart, Sir Julius Chan, to discuss the plan.

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